ADDENDUM DATED MAY 22, 2000

TO OFFICIAL STATEMENT DATED MAY 8, 2000

NEW ISSUE **Moody's Rating: Baa2**

$5,020,000

Minnesota Higher Education Facilities Authority

Revenue Bonds, Series Five-E
(Saint Mary's University of Minnesota)

(Book Entry Only)

Schedule of Maturity Dates, Principal Amounts and Interest Rates

Maturity (March 1)	Amount	Interest Rate	Yield or Price	Maturity (March 1)	Amount	Interest Rate	Yield or Price
2002	$ 90,000	6.00%	5.25%	2009	$130,000	6.25%	6.00%
2003	$ 95,000	6.00%	5.40%	2010	$140,000	6.25%	6.10%
2004	$100,000	6.00%	5.50%	2011	$150,000	6.50%	6.20%
2005	$105,000	6.00%	5.60%	2012	$160,000	6.50%	6.25%
2006	$110,000	6.00%	5.70%	2013	$170,000	6.50%	6.30%
2007	$120,000	6.25%	5.80%	2014	$180,000	6.50%	6.40%
2008	$125,000	6.25%	5.90%	2015	$190,000	6.50%	Par

$895,000 6.75% Term Bond due March 1, 2019 at 6.60%.
$845,000 6.75% Term Bond due March 1, 2022 at 6.70%.
$1,415,000 6.75% Term Bond due March 1, 2026 at Par.

An underwriting syndicate managed by Cronin & Company, Incorporated, with co-managers Miller, Johnson & Kuehn, Inc.; Dougherty and Company LLC; and John G. Kinnard & Company Incorporated, has agreed to purchase the Bonds from the Authority for an aggregate price of $4,959,765.70, plus accrued interest to the date of delivery. It is expected that the Bonds will be available for delivery on or about June 6, 2000.

THIS ADDENDUM IS INCORPORATED BY REFERENCE AS OF THE DATE HEREOF INTO THE OFFICIAL STATEMENT OF THE AUTHORITY DATED MAY 8, 2000, WITH RESPECT TO THE BONDS. TAKEN IN CONJUNCTION WITH SAID OFFICIAL STATEMENT, THIS ADDENDUM SHALL CONSTITUTE A "FINAL OFFICIAL STATEMENT" OF THE AUTHORITY WITH RESPECT TO THE BONDS AS THAT TERM IS DEFINED IN RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

Mandatory Redemption of Term Bonds

The Term Bonds maturing on March 1, 2019, 2022, and 2026 are subject to mandatory sinking fund redemption and shall be redeemed in part at par plus accrued interest on the mandatory dates and in the principal amount as follows:

2019 Term Bond	
Year	Amount
2016	$205,000
2017	$215,000
2018	$230,000
2019*	$245,000

2022 Term Bond	
Year	Amount
2020	$265,000
2021	$280,000
2022*	$300,000

2026 Term Bond	
Year	Amount
2023	$320,000
2024	$340,000
2025	$365,000
2026*	$390,000

* *Final Maturity*

The principal amount of the 2019, 2022, and 2026 Term Bonds may be reduced through the earlier optional redemption, with any partial optional redemptions of the Term Bonds credited against future mandatory redemption requirements for such Term Bonds in such order as the Authority shall determine.

OFFICIAL STATEMENT DATED MAY 8, 2000

NEW ISSUE

Rating: Requested from Moody's Investors Service

In the opinion of Bond Counsel, according to present State of Minnesota and federal laws, regulations and rulings, assuming compliance with certain covenants, the interest on the Bonds is not includable in gross income for federal income tax purposes or in taxable income of individuals, estates, and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals. Interest on the Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions, and is includable in the calculation of certain federal taxes imposed on corporations. The Bonds will not be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code. (See "Tax Exemption" herein.)

$5,020,000

Minnesota Higher Education Facilities Authority

Revenue Bonds, Series Five-E
(Saint Mary's University of Minnesota)

(Book Entry Only)

Dated Date: June 1, 2000

Interest Due: March 1 and September 1, commencing September 1, 2000

The Bonds to mature on March 1 as follows:

2002	$ 90,000	2007	$ 120,000	2012	$ 160,000	2017	$ 215,000	2022	$ 300,000
2003	$ 95,000	2008	$ 125,000	2013	$ 170,000	2018	$ 230,000	2023	$ 320,000
2004	$ 100,000	2009	$ 130,000	2014	$ 180,000	2019	$ 245,000	2024	$ 340,000
2005	$ 105,000	2010	$ 140,000	2015	$ 190,000	2020	$ 265,000	2025	$ 365,000
2006	$ 110,000	2011	$ 150,000	2016	$ 205,000	2021	$ 280,000	2026	$ 390,000

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), the Bonds are subject to redemption prior to maturity, as described herein. See "The Bonds - Prior Redemption - Optional Redemption". The Bonds will also be subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and the Indenture. The Bonds will be subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein.

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein). Norwest Bank Minnesota, National Association, Minneapolis, Minnesota will act as Trustee.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of Saint Mary's University of Minnesota, Winona, Minnesota (the "University") pursuant to a Loan Agreement between the Authority and the University, or out of other amounts pledged pursuant to the Indenture as described herein. The Loan Repayments will be a general obligation of the University.

Prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than 105% with the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes; however, the initial Purchaser of the Bonds shall be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell (but may offer) any of the Bonds to Minnesota buyers at a price greater than 105% until the Bonds have been re-registered for sale at such higher price by the Department of Commerce, as more fully provided in the Terms and Conditions of Contract of Sale.

THE BONDS SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA NOR CONSTITUTE A DEBT FOR WHICH THE FAITH AND CREDIT OF THE AUTHORITY OR THE STATE OF MINNESOTA, OR THE TAXING POWERS OF THE STATE, ARE PLEDGED. THE AUTHORITY HAS NO TAXING POWERS.

The Bonds are offered when, as, and if issued by the Authority subject to the approval of legality by Faegre & Benson LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by Ann E. Merchlewitz, Esq., its Vice President and General Counsel. Bonds are expected to be available for delivery on or about June 6, 2000.

PROPOSALS RECEIVED: May 17, 2000 (Wednesday) at 11:00 A.M., Central Time
AWARD: May 17, 2000 (Wednesday) by 2:00 P.M., Central Time

SPRINGSTED
Public Finance Advisors

Further information may be obtained from SPRINGSTED Incorporated, Financial Advisor to the Issuer, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101-2887 (651) 223-3000

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Authority from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Authority, except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Official Statement and the addendum or addenda described in the preceding paragraph in the amount specified in the Terms of Proposal.

The Authority designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a Proposal with respect to the Bonds agrees thereby that if its bid is accepted by the Authority (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

No dealer, broker, salesman or other person has been authorized by the Authority or the University to give any information or to make any representations with respect to the Bonds, other than as contained in the Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the Authority and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE UNIVERSITY SINCE THE DATE HEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement or the Final Official Statement, they will be furnished on request.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Dr. John S. Hoyt, Jr., Chair	CEO, Effective Golf Course Systems, Inc., Edina, Minnesota
Dr. Kathryn Balstad Brewer, Vice Chair	Researcher and Consultant, St. Paul, Minnesota
Christopher A. Nelson, Secretary	Attorney in Private Practice, St. Louis Park, Minnesota
Jack Amundson	CPA, Partner, Larson, Allen, Weishair & Co., LLP, St. Cloud, Minnesota
Gary D. Benson	Vice President, Kraus-Anderson Construction Company, Midwest Division, Circle Pines, Minnesota
Dr. David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, St. Paul, Minnesota
Gary Langer	Minnesota State Colleges and Universities, St. Paul, Minnesota
Timothy Medd (Ex Officio)	Audit Supervisor, Minnesota Higher Education Services Office, St. Paul, Minnesota
Mollie N. Thibodeau	CFRE, Fund Raising Consultant, Duluth, Minnesota

Marianne T. Remedios, Executive Director

Bond Counsel
Faegre & Benson LLP

Financial Advisor
Springsted Incorporated

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THE AUTHORITY HAS AUTHORIZED SPRINGSTED INCORPORATED TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

$5,020,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES FIVE-E (SAINT MARY'S UNIVERSITY OF MINNESOTA)

(BOOK ENTRY ONLY)

Proposals for the Series Five-E Bonds will be received by Marianne T. Remedios, Executive Director, Minnesota Higher Education Facilities Authority (the "Authority") or her duly appointed representative on Wednesday, May 17, 2000, until 11:00 A.M., Central Time, at Suite 450, Galtier Plaza, 175 East Fifth Street, Saint Paul, Minnesota 55101, telephone (651) 296-4690, after which time they will be opened and tabulated. Consideration for award of the Series Five-E Bonds will be by the Executive Director of the Authority not later than 2:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Springsted will assume no liability for the inability of the bidder to reach Springsted prior to the time of sale specified above. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the Authority to purchase the Bonds regardless of the manner by which the Proposal is submitted.

(a) ***Sealed Bidding.*** Proposals may be submitted in a sealed envelope or by fax (651) 223-3002 to Springsted. Signed Proposals, without final price or coupons, may be submitted to Springsted prior to the time of sale. The bidder shall be responsible for submitting to Springsted the final Proposal price and coupons, by telephone (651) 223-3000 or fax (651) 223-3002 for inclusion in the submitted Proposal.

OR

(b) ***Electronic Bidding.*** Electronic Bids may be submitted to Dalcomp/Parity (an "Approved Provider"). For purposes of the electronic bidding process, the time as maintained by the Approved Provider shall constitute the official time with respect to all Bids submitted to such Approved Provider. *Each bidder shall be solely responsible for making necessary arrangements to access the Approved Provider for purposes of submitting its electronic Bid in a timely manner and in compliance with the requirements of the Notice of Sale.* Neither the Authority nor its agents shall have any duty or obligation to provide or ensure electronic access to any qualified prospective bidder, and neither the Authority nor its agents shall be responsible for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the Approved Provider's service. The Authority is using the services of the Approved Provider solely as a communication mechanism to conduct the electronic bidding for the Bonds, and the Approved Provider is not an agent of the Authority.

If any provisions of this Notice of Sale conflict with information provided by the Approved Provider, this Notice of Sale shall control. Further information about the Approved Provider, including any fee charged, may be obtained from:

> Dalcomp/Parity, 395 Hudson Street, New York City, New York 10014, Customer Support, 212/803-8304.

DETAILS OF THE BONDS

The Bonds will be dated June 1, 2000, as the date of original issue, and will bear interest payable on March 1 and September 1 of each year, commencing September 1, 2000. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature March 1 in the years and amounts as follows:

2002	$ 90,000	2007	$ 120,000	2012	$ 160,000	2017	$ 215,000	2022	$ 300,000
2003	$ 95,000	2008	$ 125,000	2013	$ 170,000	2018	$ 230,000	2023	$ 320,000
2004	$ 100,000	2009	$ 130,000	2014	$ 180,000	2019	$ 245,000	2024	$ 340,000
2005	$ 105,000	2010	$ 140,000	2015	$ 190,000	2020	$ 265,000	2025	$ 365,000
2006	$ 110,000	2011	$ 150,000	2016	$ 205,000	2021	$ 280,000	2026	$ 390,000

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds, provided that no serial bond may mature on or after the first mandatory sinking fund redemption date of any term bond. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the proposal must specify "Last Date of Serial Maturities" and "Dates of Term Maturities" in the spaces provided on the Proposal Form.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

TRUSTEE

Norwest Bank Minnesota, National Association, Minneapolis, Minnesota will act as trustee, registrar and paying agent.

OPTIONAL REDEMPTION

The Authority may elect on March 1, 2010, and on any day thereafter to redeem Bonds due on or after March 1, 2011. Redemption may be in whole or in part and if in part at the option of the Authority and in such manner as the Authority shall determine. If fewer than all Bonds of a maturity are called for redemption, the Authority will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

The Bonds are subject to redemption in whole or in part on any date in certain events of damage, destruction, or condemnation described in a Loan Agreement between the University and the Authority and a Trust Indenture between the Authority and the Trustee, or in whole or in part on any date for which proper notice can be given in the event of a Determination of Taxability as defined therein. All optional redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the University pursuant to the Loan Agreement or from other amounts pledged thereto pursuant to the Trust Indenture. Pursuant to the Loan Agreement, Loan Repayments sufficient to pay principal, premium (if any) and interest on the Bonds when due are a general obligation of the University. **The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority, or the State of Minnesota, or the taxing powers of the State, are pledged.** The Authority has no taxing powers. The proceeds will be used, together with other funds of the University, to construct and furnish additional apartment style living quarters on the campus of the University, to fund a debt service reserve and to pay certain issuance costs.

TYPE OF PROPOSALS

Proposals shall be for not less than $4,959,760 and accrued interest on the total principal amount of the Bonds. Proposals shall be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a Financial Surety Bond in the amount of $50,200, payable to the order of the Authority. If a check is used, it must accompany such Proposal. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota, and preapproved by the Authority. Such bond must be submitted to Springsted prior to the opening of the Proposals. The Financial Surety Bond must identify each underwriter whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to a purchaser using a Financial Surety Bond, then that purchaser is required to submit its Deposit to Springsted in the form of a certified or cashier's check or wire transfer as instructed by Springsted not later than 3:30 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Authority to satisfy the Deposit requirement. The Authority will deposit the check of the purchaser, the amount of which will be deducted at settlement and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the Authority. No proposal can be withdrawn or amended after the time set for receiving Proposals unless the Executive Director on behalf of the Authority, does not award the Bonds by 2:00 P.M., Central Time, on May 17, 2000. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

REOFFERING OF BONDS

The Authority represents that, prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than 105% pursuant to an Order of Registration issued by the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes (the "Minnesota Securities Act"). The purchaser will be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell any of the Bonds in Minnesota at a price or prices higher than 105% without first having obtained an amendment to the Order of Registration permitting the sale of the Bonds at such higher price or prices, provided that this provision shall not prevent the sale of Bonds at higher prices in secondary market trading to the extent permitted by the Minnesota

Securities Act. Until such time as the Department enters and makes effective such an amendment to the Order of Registration, the purchaser may make an "offer" but agrees not to make a "sale" (including any contract to sell) of any Bonds to its customers, as such terms are defined in the Minnesota Securities Act, at prices greater than 105%. Without limiting the generality of the foregoing, the purchaser shall agree not to mail or deliver any confirmations to customers or request the payment of funds from customers in Minnesota with respect to any Bonds reoffered at prices greater than 105% until such time as such amendment to the Order of Registration is effective.

If the purchaser represents by letter to the Authority that it is purchasing the Bonds for investment and not with a view to redistribution thereof, the above shall not apply.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The Authority's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The Authority reserves the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals with or without cause and without stating any cause, and (iii) reject any proposal which the Authority determines to have failed to comply with the terms herein.

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the purchaser, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the Authority has requested and received a rating on the Bonds from a rating agency, the Authority will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the purchaser.

CONTINUING DISCLOSURE

The University and Trustee will enter into a Continuing Disclosure Agreement to provide, or cause to be provided, annual financial information, including audited financial statements of the University, and notices of certain material events, as required by SEC Rule 15c2-12.

SETTLEMENT

The Bonds will be delivered on or about June 6, 2000 without cost to the purchaser at a place mutually satisfactory to the Authority and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Faegre & Benson LLP of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate and a certificate pertaining to information in the Official Statement. Certain legal matters will be passed on for the University by its Vice President and General Counsel, Ann E. Merchlewitz, Esq. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the Authority or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the Authority or the University, or their respective agents, the purchaser shall be liable to the Authority and the University for any loss suffered by the Authority or the University by reason of the purchaser's non-compliance with said terms for payment.

OFFICIAL STATEMENT

The Authority has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a deemed-final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the Authority, Springsted Incorporated, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 450 copies of the Official Statement and the addendum or addenda described above. The Authority designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the Authority (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated May 8, 2000

BY ORDER OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

/s/ Marianne T. Remedios
Executive Director

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OFFICIAL STATEMENT

$5,020,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES FIVE-E
(Saint Mary's University of Minnesota)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Saint Mary's University of Minnesota (the "University"), an institution of higher education located in Winona, Minnesota, in connection with the issuance of the Authority's $5,020,000 Revenue Bonds, Series Five-E (Saint Mary's University of Minnesota) (the "Bonds" or the "Issue").

The Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, as amended (the "Act"), by the provisions of which the Authority was created and authorized to issue its obligations to assist institutions of higher education within the State of Minnesota to finance certain projects.

The Bonds are also issued pursuant to the Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, as trustee (the "Trustee"). It is expected that effective June 1, 2000 the Trustee's name will change to Wells Fargo Bank Minnesota, National Association.

Pursuant to a Loan Agreement between the University and the Authority, the University will covenant as a general obligation of the University to make Loan Repayments and deposits in amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same shall become due. The proceeds of the Issue will be loaned to the University by the Authority to be used for the construction, furnishing, and equipping of a new apartment-style residence hall to house an estimated 100 students and 2 resident advisors (the "Project"), as more fully described in "THE PROJECT". The proceeds will also fund a debt service reserve and pay certain issuance costs.

The Bonds are secured by a pledge of the Loan Repayments, which are a general obligation of the University. See "SUMMARY OF SECURITY FOR THE BONDS" herein.

The Reserve Account will be funded in the amount of the lesser of the maximum annual debt service payable in any remaining Bond Year, 125% of the average annual debt service or 10% of the proceeds (par value less original issue discount) (the "Reserve Requirement"). See "RESERVE ACCOUNT."

The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority or the State of Minnesota or the taxing powers of the State are pledged. The Authority has no taxing powers.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. See Appendices IV and V for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

RISK FACTORS

No person should purchase Bonds without carefully reviewing the following information which sets forth some, but not all, of the factors which may affect the Owners' receipt of payments of the principal of or interest on the Bonds.

Risk of Insufficient Collateral

The Bonds are secured by (a) a pledge of amounts payable under the Loan Agreement, and (b) a Reserve Account which will be held by the Trustee and applied to the payment of principal and interest on the Bonds. Neither the Project nor any other real or personal property of the University has been pledged or mortgaged as security for any payments on the Bonds. If an Event of Default occurs, there can be no assurance that such security will be sufficient to pay the principal of, premium, if any, or interest on the Bonds.

Construction Risks

Presently, the University does have a guaranteed maximum price contract for the Project. The Project is subject to ordinary risks associated with new construction, such as risk of cost overruns, noncompletion and delays due to a variety of factors, including, among other things, site difficulties, necessary design changes or final detailing, labor strife, delays in and shortages of materials, adverse weather conditions, fire or casualty. The University does not believe that the occurrence of any such events would have a material adverse effect on the ability of the University to complete the Project or to make payments on the Loan.

Adequacy of Revenues

Payment of principal of and interest on the Bonds is intended to be made from Loan Repayments of the University. The University's ability to make Loan Repayments will be dependent on its ability to generate sufficient unrestricted revenues in excess of expenditures. Such revenues and expenditures are subject to many conditions and factors, some of which may be beyond the control of the University and may change in the future to an extent that cannot be presently determined.

The operation of the Project will increase the University's overall expenditures, and the University's ability to generate unrestricted revenues in excess of expenditures will depend upon the extent to which it realizes increased revenues from its on-campus student housing facilities, including the Project, after the Project is placed in service. Units in the Project will rent at higher rates than other available student housing. The University believes that the demand for on-campus housing is sufficient to support a high level of occupancy in the Project and other on-campus housing facilities. There can be no assurance, however, that the Project alone will generate sufficient unrestricted revenues in excess of expenditures to provide for the increased debt service obligations of the University as a result of the issuance of the Bonds, or that the opening of the Project will not result in a net decrease of unrestricted revenues in excess of expenditures derived from on-campus housing as a whole.

Competition

Competition among institutions of higher education is intense nationally and within the upper Midwest region from which the University draws the majority of its students. Universities and colleges compete principally based on location, tuition rates, degree offerings, and academic reputation. To the extent that competitors have or achieve an advantage with respect to any of these factors, the University could be adversely affected. In addition, competitive pressures could result in tuition reductions or the inability to raise tuition, which could adversely affect the University's unrestricted net assets.

Reliance on Tuition

The adequacy of University revenues will be largely dependent on the amount of future tuition revenue received by the University. Such revenue in turn will depend primarily on the ability of the University to charge sufficient rates for tuition and to maintain enrollment levels. Future enrollment levels will depend on the number of students applying to the University and accepting offers of admission. A number of factors, including, without limitation, levels of tuition rates and other fees, competition from other colleges, a change in the number of college-age students generally, and adverse general economic conditions could influence the number of applicants to the University.

Financial Aid

Approximately 62% of the University's students currently receive from the University and other sources some form of financial aid covering some portion of tuition and fees or living expenses. No assurance can be given that federal and State financial aid will continue to be funded at current levels or that the University will continue to fund student aid at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the University's revenues.

Construction Delays

The University expects to complete and occupy the Project in time for the 2001 Summer term. Any construction delays, including, but not limited to, work stoppages, shortages of materials, or sufficiency of funds to complete the Project, would adversely impact the University's ability to complete the Project in time, which may result, among other things, in cost overruns and delay in receipt of revenues from the Project.

Damage or Destruction

Although the University will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the University will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss will not exceed the coverage of such insurance policies.

Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the University and computed pro forma debt service coverage is provided in APPENDIX I under the caption "Annual Debt Service by Fiscal Year and Coverage Statement." The pro forma coverage is merely a mathematical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of University revenues to satisfy University operations and Bond and other debt service requirements.

Limited Obligation

No entity or person other than the University is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Trust Indenture, or the Bonds or the other obligations of the University. Accordingly, for payment of principal and interest on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the University under the Loan Agreement and monies available from the Reserve Account.

Bankruptcy

The ability of the Trustee to exercise rights under the Loan Agreement and the Indenture may be limited by bankruptcy, insolvency, reorganization or other similar laws or equitable principles related to or affecting the enforcement of creditors' rights.

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the University:

(1) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies, and other expenses, without being able to obtain corresponding increases in revenues.

(2) Adoption of Federal, State or local legislation or regulations having an adverse effect on the future operating or financial performance of the University.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the University will enter into an undertaking (the "Undertaking") with the Trustee for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the University to certain information repositories annually, and to provide notices of the occurrence of any of the events enumerated in the Rule to such repositories or the Municipal Securities Rulemaking Board and to a Minnesota state information depository, if any. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Agreement to be executed by the University at the time the Bonds are delivered, a copy of which is available from the University or the Trustee. Appendix III contains a summary of the financial information and operating data to be provided annually, as well as the list of material events. The Continuing Disclosure Agreement may be amended under certain circumstances as permitted by the Rule. Furthermore, the University has reserved its right to discontinue providing information required by the Continuing Disclosure Agreement or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the University determines that such modification is required by the Rule. The University has not been subject to any previous undertaking and therefore has never failed to comply with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the University to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have other remedies at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the University pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

The Bonds are issued in book entry form. The Bonds are dated June 1, 2000 and will mature annually as set forth on the cover of this Official Statement. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the trustee as of the fifteenth day of the calendar month next preceding such interest payment date. Principal of, premium, if any, and interest on the Bonds will be paid as described in the section herein entitled "Book Entry System."

Book Entry Only System

The information in this section concerning The Depository Trust Company ("DTC") and DTC's book-entry system has been obtained from DTC, and neither the Authority nor the University takes any responsibility for the accuracy thereof.

DTC, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc.; the American Stock Exchange LLC; and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a single issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Prior Redemption

Optional Redemption

The Bonds maturing on or after March 1, 2011 are subject to optional redemption at the University's direction on March 1, 2010 and on any day thereafter at par plus accrued interest. Redemption may be in whole or in part in such order of maturity as the University directs and selected by random means within a maturity, in integral multiples of $5,000.

The Bonds will also be subject to optional redemption in whole or in part on any date, in integral multiples of $5,000, at par plus accrued interest in certain cases of damage to or destruction or condemnation of the Project Facilities, and upon a Determination of Taxability as provided in the Loan Agreement (see "Determination of Taxability" herein and "SUMMARY OF DOCUMENTS - The Loan Agreement" in Appendix V).

Partial Redemption

If fewer than all Bonds of a maturity are called for redemption, the Authority will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed.

In the case of Bonds of denominations greater than $5,000, if fewer than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each $5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of $5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such $5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and available for the redemption of said $5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than thirty days, and if more than 60 days, then again not less than 30 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date of Taxability effective until the date on which the principal of the Bonds is paid. **If a Determination of Taxability should occur, any monetary damages or loss resulting from**

or incident thereto shall be limited to the additional interest on the Bonds. See "TAX EXEMPTION" herein and "DEFINITION OF CERTAIN TERMS" in Appendix IV.

The University will have the option to prepay, to the extent that interest on the Bonds becomes subject to federal income taxes, the Loan represented by the Bonds, in full or in part on the next date for which due notice can be given or any date thereafter following a Determination of Taxability at a price of par plus accrued interest (including additional interest from the Date of Taxability).

Additional Bonds

In addition to the Bonds, the Authority may in its discretion and with the consent of the University issue Additional Bonds (i) to provide funds to complete the Project, or (ii) to refund all or any series or portion of series of the then outstanding Bonds, or (iii) to provide funds for improvements to or alterations, repairs or replacement of the Project Facilities or (iv) for another project or projects, as defined in and authorized by the Act, provided that no such Additional Bonds will be issued under the Indenture or secured by the Trust Estate on a parity with the Bonds then outstanding unless:

1. The exclusion of interest on the outstanding Bonds from gross income of the holders of the Bonds for purposes of federal income taxation under the Code shall not be jeopardized by the issuance of the Additional Bonds.

2. Supplements to the Loan Agreement and the Indenture are executed and delivered describing the Additional Bonds as additional indebtedness secured thereby.

3. No Default or Event of Default on the part of the University exists under the Loan Agreement.

4. The University furnishes evidence satisfactory to the Authority of the University's ability to meet debt service on the Additional Bonds and comply with certain financial covenants as further provided under the Loan Agreement and deposits additional monies or investments in the Reserve Account, to be held by the Trustee under the Indenture in such amount and value as shall bring the amount on deposit in the Reserve Account to the Reserve Requirement, calculated after giving effect to the issuance of the Additional Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Series Five-E Bond Principal	$ 5,020,000
University Funds	90,393
Total Sources	$ 5,110,393
Uses of Funds	
Project Costs	$4,550,000
Debt Service Reserve	420,268
Issue Costs	140,125
Total Uses	$5,110,393

In the event issuance costs including underwriter's discount exceed 2% of the proceeds of the Bonds, defined as par less original issue discount, such excess shall be paid by the University from funds other than Bond proceeds.

Accrued interest received at Bond Closing will be deposited into the Bond and Interest Sinking Fund Account and applied as a credit against the amount to be deposited in the Bond and Interest Sinking Fund Account on or before the first interest payment date.

THE PROJECT

The Project consists of the construction, furnishing, and equipping of a 41,000 square foot apartment-style student residence building with capacity for 100 students in 50 units. The Project is to be located on the University campus in Winona, Minnesota.

The four-story building will be frame construction with vinyl, stucco and rock faced exterior. The building is expected to be occupied primarily by upper-class undergraduate students. The building consist of 50 studio apartments. The building has been designed to respond to student preferences identified by the University. Units will be fully furnished, including appliances, with central heating and air-conditioning, 24-hour security, campus data network, telephone, and cable television connections. The Project also includes common areas and limited classroom space.

The architect for the Project is W. Smith Architectural & Engineering Services, Winona, Minnesota. The architect has experience in designing college residence halls. The University has entered into a guaranteed maximum price construction contract with Schwab Company to build the Project. The guaranteed maximum price to construct the Project is $4,125,000. Total project costs (including site preparation, architectural design services, etc.) are estimated to be $4,550,000. Site clearing and site preparation began in April, 2000 and the Project is expected to be completed by summer 2001.

SUMMARY OF SECURITY FOR THE BONDS

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by the University as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including moneys and investments in the Reserve Account. The Reserve Account will be fully funded initially from proceeds of the Bonds in the amount of the Reserve Requirement.

The Bonds are secured by the pledge of the Loan Repayments and the Reserve Account. The Loan Repayments are a general obligation of the University. The University will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The University agrees to make such payments out of its operating funds or any other moneys legally available to pay debt service on the Bonds.

The University will covenant and agree to charge tuition fees, other fees, rentals and charges which, together with the general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan

Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the University as they become due.

The University will also covenant that so long as the Bonds shall remain outstanding:

a. For at least two of the preceding three complete Fiscal Years, the Revenue/Expenditure Test must be met.

b. At May 31, 2000 and at the end of each Fiscal Year thereafter, the Net Assets -- Unrestricted, as reported in the University's audited financial report, shall be not less than $1,500,000. Within 120 days after the end of each Fiscal Year, the University shall furnish to the Trustee a certificate of an Authorized Institution Representative showing the Net Assets - Unrestricted, and the amount thereof (if any), which is pledged to secure obligations of the University, or is otherwise encumbered, all as of the end of the Fiscal Year. If at the end of any Fiscal Year, the Net Assets – Unrestricted does not equal or exceed $1,500,000, the University shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) and cause to be credited to Net Assets – Unrestricted additional unencumbered moneys or investments at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the University for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

c. The University will incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt which does not increase the amount of the Maximum Annual Debt Service and further excepting indebtedness for capital projects for which the University has secured funds on hand or written and signed pledges of gifts in an amount equal to 80% of the estimated cost of such project), unless the average Debt Service Coverage Ratio for the last Fiscal Year for which audited financial statements are available was at least 120% of Maximum Annual Debt Service of (A) then Outstanding Funded Debt and (B) Funded Debt thereafter incurred or proposed to be incurred; provided that if the additional Funded Debt proposed to be incurred is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for the most recent complete Fiscal Year, for purposes of this paragraph, the estimated amount of Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an independent management consultant to the University and the Trustee; and provided further that if the additional Funded Debt proposed to be incurred is to finance other University facilities and if the Board of Trustees has increased or will increase tuition, student fees or other rates or charges at or after the end of such Fiscal Year, for purposes of this paragraph, there shall be added to Net Income Available for Debt Service for the most recent complete Fiscal Year the amount of increase net of increased operating expenses, as estimated in a report of an independent management consultant to the University and the Trustee.

For purpose of these covenants, the following terms shall have the following meanings:

"Adjusted Increase (Decrease) in Unrestricted Net Assets" means the Increase (decrease) in Unrestricted Net Assets, as reported in the Statement of Activities section of the audited financial report of the University, adjusted to: (a) exclude depreciation expense and include (as a reduction to Unrestricted Net Assets) the cost of current equipment acquisitions which have been funded through operations and capitalized; (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment; (c) exclude extraordinary gains or losses; and (d) exclude unrealized net gains or losses on investments.

"Debt Service Coverage Ratio" means for any particular period, the ratio (expressed as a percentage) determined by dividing Net Income Available for Debt Service during the period by the total amount of principal of and interest on Funded Debt during the period.

"Funded Debt" means (i) indebtedness for borrowed money having a maturity date of more than one year from the date of incurrence or assumption thereof by the University and which, under generally accepted accounting principles, is shown on the University's balance sheet as a liability, including such indebtedness having a maturity date of one year or less if the maturity date may be extended beyond one year at the option of the University, and (ii) capital leases having a term of more than one year from the date of incurrence or assumption thereof by the University which, under generally accepted accounting principles, are shown on the balance sheet as a liability.

"Maximum Annual Debt Service" means the largest total amount of principal of and interest on Funded Debt required to be paid by the University in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding and subject to adjustments in accordance with the Loan Agreement.

"Net Income Available for Debt Service" means the Adjusted Increase (Decrease) in Unrestricted Net Assets (plus interest payments on Funded Debt).

"Revenue/Expenditure Test" means the Adjusted Increase in Unrestricted Net Assets shall not be less than zero.

For purposes of (a), (b) and (c) above, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of colleges and universities, as applied by the University's auditors in the report of the University's financial statements.

The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority or the State of Minnesota, or the taxing powers of the State, are pledged. The Authority has no taxing powers.

The Bonds will not be secured by the General Bond Reserve of the Authority (see "ACCOUNTS - General Bond Reserve Account").

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account, except that Bond proceeds in the amount of the Reserve Requirement will be deposited into the Reserve Account and accrued interest, if any, received on the sale of the Bonds will be deposited in the Bond and Interest Sinking Fund Account. Following settlement and delivery of the Bonds, amounts received by the Trustee from the University as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, or the Redemption Account, as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Construction Account

There shall be deposited initially into the Construction Account all proceeds of the Bonds, except as otherwise required to be deposited into the Bond and Interest Sinking Fund Account, and the Reserve Account. In addition to such proceeds of the Bonds, the University has covenanted in the Loan Agreement that it will provide and apply additional funds, if any, which, together with Bond proceeds, will be sufficient to provide for the payment of all Project Costs and all other costs relating to the Project. The Authority shall have no obligation to deposit any moneys in said Construction Account or apply moneys to Project Costs except proceeds of the Bonds or funds made available therefor by the University.

The moneys in the Construction Account shall be held in trust by the Trustee and applied to the payment and reimbursement of Project Costs and pending such application shall be subject to a lien and charge in favor of the Holders of the Bonds and shall be held for the further security of such Holders until paid out.

Payments may be made from the Construction Account for costs of improvement, acquisition, construction and equipping of the Project ("Project Costs"), provided, however, that proceeds of the Bonds may not be applied to the costs of issuance thereof (including underwriting discount) in an amount in excess of two percent of the proceeds (par value less original issue discount) of the Bonds.

Project Costs shall be paid only upon written order of the Authorized Institution Representative provided that interest accruing on the Bonds during the Construction Period may be paid from the Construction Account.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account monies received on the sale of the Bonds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the University. A separate Sinking Fund Subaccount will be maintained within the Bond and Interest Sinking Fund Account for the retirement of Term Bonds, if any, on each Sinking Fund redemption date. Deposits into the Sinking Fund Subaccount shall be made one Business Day prior to each March 1 on which a sinking fund payment is due in amounts equal to the redemption price of the principal specified for mandatory redemption. The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the amount of the Reserve Requirement irrevocably pledged to the payment of principal of and interest on the Bonds, as may be required from time to time. All amounts paid by the University as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account will be deposited into the Reserve Account in order to maintain the Reserve Account in an amount not less than the Reserve Requirement.

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the University shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the University for amounts so withdrawn. Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than as of the first day of the calendar month next preceding September 1, 2000 and each interest payment date thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the lesser of the amount of the Reserve Requirement, or the amount permitted for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not less than 30 days.

Interest and income in the Reserve Account shall be transferred first, to the Bond and Interest Sinking Fund Account to the extent the amount on deposit in the Bond and Interest Sinking Fund Account is less than the amount permitted for a bona fide debt service fund under the Arbitrage Regulations, and second, to the Redemption Account any excess interest and income, and when the moneys and investments in the Reserve Account shall be sufficient to pay the principal of and interest on all outstanding Bonds when due, such moneys and investments shall be transferred, as appropriate, into the Bond and Interest Sinking Fund Account or the Redemption Account; provided that the Trustee is authorized, in its discretion, to use funds and investments in the Reserve Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the University or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Redemption Account

Any amounts received which are not otherwise committed will be paid into the Redemption Account. Funds in this Account will be available to maintain required balances in other accounts and to purchase or redeem Bonds. No specific amounts are required to be maintained in the Redemption Account. Notwithstanding the foregoing, the Trustee, in its discretion, is authorized to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the University or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

General Bond Reserve Account

Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. In general, the General Bond Reserve Account secures certain Bonds of the Authority for which a deposit is made into the General Bond Reserve Account in compliance with the General Bond Resolution. In connection with the Bonds, the Authority will not require that the University deposit funds into the General Bond Reserve Account. **The Bonds will not be secured by the General Bond Reserve Account, and Bondholders will have no right to require the Authority to apply moneys or investments in the General Bond Reserve Account to the payment of the Bonds or interest thereon.**

Authorized Investments

Moneys on deposit to the credit of the Construction Account, the Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments, rated at least "AA" or "Aa"; revenue bond obligations of states and local governments insured by municipal bond insurance and rated "AAA" or "Aaa"; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States Government, its agencies, state and local governments; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least "A"; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 through 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education within the State in the construction and financing of projects. The Authority consists of eight members appointed by the Governor with the advice and consent of the Senate. A representative of the Minnesota Higher Education Services Office and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority. There is currently a vacancy on the Board as the result of a resignation, and the Board is actively seeking to fill that vacancy.

Ms. Marianne T. Remedios is the Executive Director of the Authority, effective May 1, 2000. Ms. Remedios was a partner with Faegre & Benson LLP, Minneapolis, Minnesota, which serves as bond counsel for the Authority.

Elaine J. Yungerberg is the Assistant Executive Director of the Authority. She has held the position of Assistant Executive Director since 1993.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $650 million. The Authority has had 119 issues (including refunded and retired issues) totaling $747,618,307, of which $417,563,694 (excluding the Bonds) is outstanding as of April 1, 2000. Additional bonds in the amount of $39,000,000 have been authorized but unissued as of that date. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

The scope of projects for which the Authority may issue bonds is broad, including buildings or facilities for use as student housing, academic buildings, parking facilities, day-care centers, and other structures or facilities required or useful for the instruction of students, or conducting of research, in the operation of an institution of higher education.

While the Authority retains broad powers to oversee planning and construction, it is current policy to permit the institution almost complete discretion with respect to these matters.

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority then outstanding, including payment of any redemption premium thereon and any interest accrued or to accrue to the earliest or any subsequent date of redemption.

The operations of the Authority are financed solely from fees paid by the participating institutions; it has no taxing power.

Bond issuance costs, including fees of bond counsel, the financial advisor and trustee, are paid by the participating institution.

FINANCIAL ADVISOR

The Authority has retained Springsted Incorporated, Public Finance Advisors, of St. Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon University officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

RATING

An application for a rating of the Bonds has been made to Moody's Investors Service ("Moody's"), 99 Church Street, New York, New York. If a rating is assigned, it will reflect only the opinion of Moody's. Any explanation of the significance of the rating may be obtained only from Moody's.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of Moody's, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the University are unaware of any pending or threatened litigation which would affect the validity of the Bonds or materially affect the ability of the University to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Faegre & Benson LLP of Minneapolis, Minnesota as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the University by Ann E. Merchlewitz, Esq., the University's Vice President and General Counsel.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed or refinanced by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the University, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to additional interest and optional redemption without premium. (See "THE LOAN AGREEMENT—Determination of Taxability" in Appendix V). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

Under present provisions of the Code, interest on the Bonds is exempt from federal income taxes, including the alternative minimum tax imposed with respect to individuals and corporations, except that interest on the Bonds will be included in the computation of "adjusted current earnings", which may be an item of tax preference includable in alternative minimum taxable income used in calculating the alternative minimum tax that may be imposed with respect to corporations.

The Code imposes a branch profits tax equal to 30% of the "dividend equivalent amount" which is measured by "earnings and profits" effectively connected to the United States, net of certain adjustments. Included in the earnings and profits of a United States branch of a foreign corporation is income that would be effectively connected with a United States trade or business if such income were taxable, such as the interest on the Bonds.

In addition, interest on the Bonds is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of a property, casualty or other insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year. In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of its gross receipts is passive investment income.

The Code further provides that interest on the Bonds is includable in the calculation of modified adjusted gross income in determining whether Social Security or railroad retirement payments are to be included in taxable income of individuals.

Bondholders should consult their tax advisors with respect to collateral consequences arising from the receipt of interest on the Bonds, including without limitation the calculations of alternative minimum tax, or foreign branch profits tax liability, or the inclusion of social security or other retirement payments in taxable income.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Faegre & Benson LLP, Bond Counsel, under present laws and rulings: interest on the Bonds is not includable in gross income for federal income tax purposes or in the taxable income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations and is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

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APPENDIX I

THE UNIVERSITY

Saint Mary's University of Minnesota is a private, comprehensive university headquartered in Winona, Minnesota. Founded in 1912 by Bishop Patrick R. Heffron, the second bishop of Winona, the University originally operated as an academy and junior college for men. In 1925, it became a four-year liberal arts college. In 1933, the De La Salle Christian Brothers, an international Catholic teaching order, purchased the University from the Diocese of Winona. Soon thereafter, the University obtained formal accreditation for its bachelor" degrees programs by the North Central Association of colleges and Schools.

The University maintains three campuses. The Winona campus is a four-year coeducational, residential, liberal arts university. On its Winona campus, the University combines the traditional liberal arts and sciences with career-related studies, enabling students to obtain an integrated liberal arts and career education. All students share a common intellectual experience through the Interdisciplinary Studies Program, which has been recognized nationally as a model for liberal learning. The Twin Cities campus offers nontraditional graduate and special programs. The Nairobi, Kenya campus offers a bachelor's degree in education and a master's degree in African Studies.

The University is accredited by the North Central Association of Colleges and Schools through 2007. It is also registered as a private institution with the Minnesota Higher Education Services Office.

Governance

The University is governed by a Board of Trustees whose members serve five-year terms. The current Board has 36 members.

Michael J. Dolan	Chief Operating Officer, Smead Manufacturing
John Ehlert	President/CEO, Ashton Management Corp., Inc.
Brother F. Patrick Ellis, FSC, Ph.D.	Retired, past President of Catholic University of America
Robert M. Figliulo	CEO and Chairman of the Board, SPR Chicago, Inc.
Brother Craig J. Franz, FSC, Ph.D.	President, Saint Mary's College of California
Robert F. Froehlke	Retired, former Secretary of the Army
Renee Garpestad	Doctoral Candidate, Ed. D.
Nancy Leary Haggerty, J.D.	Partner, Michael, Best & Friedrich
Most Rev. Bernard J. Harrington, D.D.	Bishop of Winona, Diocesan Pastoral Center
Brother Thomas W. Johnson, FSC	Provincial, Christian Brothers of the Midwest
William G. Jungbauer, J.D.	President and Senior Partner Yaeger, Jungbauer, Barczak & Roe, PLC
Robert E. Kelly, Jr.	Chairman and CEO, National Investment Services Inc.
John V. Leaf	Partner, BINGO Capital
Brother Bernard LoCoco, FSC	President, School of Applied Theology, GTU Berkeley
Brother William E. Mann, FSC, D. Min.	Provincial, Long Island-New England Province of the Brothers of the Christian Schools
Judith Rich O'Fallon, Ph.D.	Consultant and Director, Cancer Center Statistics, Mayo Clinic
Salvatore F. Polizzotto	Partner, Gonser Gerber Tinker Stuhr
Brother David Poos, FSC	Director, Bishop Kelley High School
Jack Remick	President, Rochester Athletic Club, Inc.
Donald K. Ross	Fundraising and Development Consultant
Joseph J. Ross	Chairman, President & CEO, Federal Signal Corporation
Patricia Rukavina	Community Volunteer
Dora Ann Sanchez-Mead	Saturn Corporation
Daniel L. Simon	President, KJ Investment, LLC

President

Brother Louis DeThomasis, FSC, Ph.D. became the eleventh President of the University on July 1, 1984. A native of New York, Brother DeThomasis served as president of LaSalle Military Academy in Oakdale, New York, between 1976 and 1984. He holds a Ph.D. in financial management from the Union institute in Cincinnati and a bachelor of science in foreign service from Georgetown University in Washington, D.C. He also studied at Providence College in Rhode Island and the University of Madrid. He completed post doctorate studies as a Bush Fellow in 1986 at the Institute for Educational Management, Harvard University.

Brother DeThomasis joined the De La Salle Christian Brothers in 1968 after a career in business. He previously had been president of Metro Graphics, Inc. in Washington, D.C. before joining the Brothers. He has gained national prominence in the fields of finance and education. He founded and served as Chair of Christian Brothers Investment Services, Inc., an investment advisory company registered with the securities and Exchange Commission that manages assets of nearly one billion dollars.

Brother DeThomasis has served on the Board of Trustees for the University since 1978. He serves on the following corporate, nonprofit, and professional boards: The Galaxy Funds, Vanguard Technology Group, MN Private College Council, The Martin de Poores School for Exceptional Children, The Ocean Tides treatment Center for Juvenile Offenders, Diocese of Winona-Priests Retirement Fund, The foundation of Independent Higher Education. He has previously served as a trustee for Manhattan College in New York, College of Santa Fe in New Mexico, Saint Mary's College of California, and Christian Brothers University in Tennessee.

Brother DeThomasis has written several books and monographs: the Ten Commandments of Doing Ethics in Business, The Transformal Organization: A Business Paradigm for the 1990s and Imagination – A Future for Religious Life. His articles have been published in journals including Fund Raising Management, Momentum, and Private School Quarterly, among others.

Vice President for Academic Affairs

Jeffrey Highland is the Vice President for Academic Affairs and a Professor of Political Science at the University. He joined the faculty in 1977, following completion of his Ph.D. at Washington State University. Before becoming Vice President for Academic Affairs in 1993, Dr. Highland taught courses in political science and public administration. Dr. Highland is the recipient of the Lasallian Distinguished Educator Award given by the De La Salle Christian Brothers and the Bishop Heffron Award for mentorious Service to the University.

Vice President for Financial Affairs

Cynthia Marek was appointed Vice President for Financial Affairs in 1991 after serving as Controller at the University for five years. Prior to her position at the University, Ms. Marek held several positions at the College of Saint Teresa, Winona, Minnesota, including Assistant to the Chief Financial Officer. Her current responsibilities at the University include overseeing all financial aspects of the University as well as supervising the physical plant operations, the bookstore, the student center, academic and administrative computing services, and the conference center. Ms. Marek has a Masters of Business Administration from Winona State University.

Ms. Marek is an active volunteer in the Winona community serving as trustee for the YWCA, past president of the Winona Area Chamber of Commerce, United Way Review Committee member, and Winona Council for Quality board member.

Academic Information: Winona Campus and Undergraduate Program

The University operates on a conventional semester system. A full-time student is defined as one enrolled for a minimum of 12 semester credit hours.

Admissions Criteria

Admission prerequisites include graduation from an accredited high school or the equivalent and satisfactory performance on a college entrance examination. The Vice President for Admissions evaluates an applicant's ability to do successful work at the University. The pattern of high school courses is not the sole criterion for acceptance. Rank in class, a personal essay, test scores, activities, and school recommendations all provide additional data used in the evaluation of a student's academic potential for university success. The University welcomes applications from students from differing ethnic, religious, racial, economic, and geographic backgrounds.

Degree Offerings

The University offers a Bachelor of Arts, Bachelor of Science, Bachelor of Fine Arts, Master of Arts, Master of Education, Master of Science, and Doctorate of Education.

Campuses and Buildings

The Winona Campus of the University is located on 350 acres of scenic property in Winona, Minnesota, one hundred and twenty miles southeast of Minneapolis/Saint Paul. At its Winona campus, the University maintains its central administrative operations and provides the educational environment for undergraduate and graduate, highly residential, educational experiences.

Four connected buildings served the needs of the University in its early years. Between 1912 and 1913, Saint Mary's Hall, Griffin Hall, Heffron Hall and Skemp Hall housed the college in its entirety.

Today the University makes use of 53 primary buildings to provide for academic, administrative, recreational, residential and specialized programmatic needs. All of the existing buildings continue to be fully utilized. Additional freestanding facilities were constructed through the years, primarily to serve the increasing residential needs of the college. In the renovations, which have taken place over the last decade, all of the older existing buildings have been completely remodeled to meet the educational, residential and specialized needs of the times. A number of the newly constructed facilities have been located adjacent to existing buildings to form more centralized facilities that are more responsive to the University's needs today and to the challenges of the climate of Southeastern Minnesota.

The principal facilities of the University's Twin Cities Campus are located on Park Avenue in Minneapolis. Two separate buildings, Las Salle Halle and Martin de Porres Hall, house administration, support services, and classrooms for the graduate and undergraduate programs there.

Housing

The University currently has 1,109 beds available for students on its Winona campus. For the 1999-2000 academic year, 1,052 beds were occupied, resulting in an 85% occupancy rate. Once the Project is completed, beds in other facilities will be converted to office and classroom space. In addition, small rooms in some of the residence halls will be combined. Thus, after completion of the Project and the other planned renovations, the University will have approximately 1,115 beds available for students on its Winona campus.

Student Body

The University's head count enrollment and full-time equivalent (FTE) enrollment for the Winona and Twin Cities campuses, actual and projected are:

Undergraduate

Year – Fall of:	Head Count	FTE
	(Actual)	
1995	1,532	1,509
1996	1,702	1,621
1997	1,718	1,493
1998	1,746	1,513
1999	1,850	1,443
	(Projected)	
2000	1,906	1,486

The average ACT score for first year students is 23 as of the most recent academic year.

Graduate

Year – Fall of:	Head Count	FTE
	(Actual)	
1995	6,542*	1,015
1996	7,619*	1,165
1997	3,416	1,247
1998	3,829	1,560
1999	4,725	2,169
	(Projected)	
2000	5,009	2,299

* *Counted all graduate students even if not enrolled (working on dissertation).*

Applications, Acceptances and Enrollments

Undergraduate Applications, Acceptances and Matriculations

	1995	1996	1997	1998	1999
Applications	1,008	1,014	972	998	955
Acceptances	870	897	890	945	891
Matriculations	387	385	372	394	371

Graduation Rate for First Year Students Graduating in Four Years

Entering Year	4-year Graduation rate
1991	43.4%
1992	42.5%
1993	52.1%
1994	45.1%
1995	47.1%

Student Retention

Retention from first year to second year for the past five years has been:

Fall 1994 to Fall 1995:	69.9%
Fall 1995 to Fall 1996:	76.2%
Fall 1996 to Fall 1997:	74.1%
Fall 1997 to Fall 1998:	75.4%
Fall 1998 to Fall 1999:	72.1%

Tuition and Fees

The University meets the costs of its educational programs primarily through tuition and fees. The following table lists the fees charged full-time undergraduate students on the Winona campus for the past four academic years as adopted by the Board of Trustees.

	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001
Tuition for First Year Student	$ 11,700	$ 12,150	$ 12,750	$ 13,300	$ 13,990
Room and Board*	$ 3,900	$ 4,100	$ 4,250	$ 4,400	$ 4,620
Fees	$ 365	$ 365	$ 365	$ 365	$ 365
Total	$ 15,965	$ 16,615	$ 17,365	$ 18,065	$ 18,975

*Average room charges; on-campus apartment living may be slightly higher.

Certain other fees may be charged depending on course of study.

Comparison of Undergraduate Charges for Minnesota Private Colleges (1999-2000)

College/University	Tuition and Fees	Room and Board	Total
Augsburg College	$15,250	$5,240	$20,490
Bethel College	$15,300	$5,410	$20,710
Carleton College	$23,469	$4,761	$28,230
College of Saint Benedict	$16,441	$5,025	$21,466
College of St. Catherine	$15,578	$4,550	$20,128
College of St. Scholastica	$15,510	$4,760	$20,270
Concordia College (Moorhead)	$13,340	$3,760	$17,100
Concordia University (St. Paul)	$13,840	$4,962	$18,802
Gustavus Adolphus College	$17,480	$4,320	$21,800
Hamline University	$15,574	$5,138	$20,933
Macalester College	$20,688	$5,760	$26,448
Minneapolis College of Art and Design	$18,266	$4,376	$22,642
Saint John's University	$16,441	$4,930	$21,371
Saint Mary's University of MN	**$13,665**	**$4,400**	**$18,065**
St. Olaf College	$18,250	$4,320	$22,570
University of St. Thomas	$16,340	$5,180	$21,520
Average	**$16,588**	**$4,807**	**$21,395**

About 70 percent of Minnesota private college students receive financial aid to help pay for their tuition and fees. The average financial aid package (grants, work-study and loans) is more than $9,200 including more than $6,500 in grant aid that does not have to be repaid.

Charges apply to new entering students only. Several colleges have differential tuition for upper-level students, cost freezes for returning students or other policies that result in price variation.

Source: Minnesota Private College Council.

Financial Assistance

Approximately 62% of the University's student body annually receive some form of financial assistance. The following table is a five-year summary of financial assistance received from both University and non-University funds.

	1995-96	1996-97	1997-98	1998-99	1999-2000
Federal	$ 582,937	$ 572,317	$ 604,883	$ 665,246	$ 602,823
State	1,028,925	1,040,865	1,027,387	1,244,222	1,032,835
University	3,335,201	3,520,326	4,053,451	4,488,477	4,362,954
Private	184,908	202,119	185,699	225,485	247,198
Total	$ 5,131,971	$ 5,335,627	$ 5,874,420	$ 6,623,430	$ 6,245,810
Loans	$ 4,090,872	$ 3,476,814	$ 3,957,620	$ 3,852,948	$ 4,096,112
Work-study	780,277	911,775	876,573	728,340	846,985
Grand Total	$ 10,003,120	$ 9,724,216	$ 10,708,613	$ 11,204,718	$ 11,188,907
# of Students	1,212	1,078	1,118	1,125	1,158

No assurance can be given that Federal and state student financial assistance will continue to be funded at current levels.

Faculty and Staff

The University employs 99 full-time and 65 part-time faculty at its Winona campus. Average salaries by full-time faculty rank are:

Rank	Number	Average Salary	Percent Tenured
Professor	26	$55,456	96%
Associate Professor	21	$44,407	86%
Assistant Professor	40	$36,767	5%
Instructor	12	$30,272	0

Pension Plans

The University has a defined benefit pension plan for academic and non-academic personnel. The cost of the retirement plan is based on 6.5% of employees' salaries and amounted to approximately $732,046 for the year ended May 31, 1999.

Capital Campaign

The University is currently in the quiet phase of a capital campaign, the purpose of which is to build endowment. *Legacy for Learning - A Campaign for Students* will build endowment to further the ability of the University to serve its students in the future. The endowment will provide support for student scholarships, academic leadership development, faculty development, faculty development initiatives to improve teaching and learning, faculty and student research, improvements in buildings, new technologies for learning, and student service opportunities that combine classroom learning with spiritual development. It is anticipated that this campaign will focus on a goal of between $20 to $25 million dollars. The goal will be set by the University's Board of Trustees in May 2000 after the lead gift phase is complete. The campaign will be publicly announced in August 2000.

Relationship based development has provided the University significant gains in recent years in gift revenue raised, external constituencies reached, alumni connections and internet and publications presence. Fully 26% of alumni who hold University baccalaureate degrees supported the University financially in the last fiscal year.

Long-Term Investments

Following is a three-year history of the ending fund balances of the University's Net Assets for Endowment and similar funds at market value.

Fiscal Year Ending May 31	Endowment	Long-Term Investment (Quasi-Endowment)	Total
1998-1999	$7,484,295	$9,092,034	$16,576,329
1997-1998	$5,944,249	$7,916,932	$13,861,181
1996-1997	$6,427,283	$6,183,799	$12,611,082
1995-1996	$5,384,786	$5,620,936	$11,005,722

Gifts, Grants and Contracts

Gifts and grants revenues received from federal, state and private sources for the past three years have been as follows:

Fiscal Year Ending May 31	Unrestricted	Temporarily Restricted	Permanently Restricted
1999	$4,867781	$977,404	$762,846
1998	$3,964,067	$1,501,665	$1,449,966
1997	$4,283,172	$1,641,324	$1,042,497
1996	$5,002,472	$1,356,786	$547,407

Presentation of Financial Statements

For the year ended May 31, 1996, the University adopted two new Statements of Financial Accounting Standards (SFAS) issued by the Financial Accounting Standards Board. Together the new statements significantly alter the appearance and content of private college and university financial statements. These changes in presentation make it difficult to draw comparisons between the financial statement for the fiscal years ended prior to May 31, 1996, and the financial statements for 1996 and thereafter.

SFAS #116, *Accounting for Contributions Received and Contributions Made*, has two significant aspects. The first is a requirement to record certain specifically verifiable donor promises as revenues in the period the promises are received, and to reflect the promises as receivables of the University. This contrasts with the previous practice of recording contributions when the actual cash or property was received.

The second aspect of SFAS #116 is the requirement to record contributions into one of three classes of net assets: permanently restricted, temporarily restricted or unrestricted, based on the existence or absence of donor imposed restrictions.

SFAS #117, *Financial Statements for Not-for-Profit Organizations*, is intended to make financial statements of not-for-profit organizations more understandable to users of those statements, and requires that the financial statements of all not-for-profit organizations include a statement of position, a statement of activities and a statement of cash flows. Such financial statements focus on the University as a whole and present balances and transactions according to the existence or absence of donor imposed restrictions, and again classify fund balances and transactions into three classes of net assets: permanently restricted, temporarily restricted or unrestricted.

Appendix VI sets forth the financial statements of the University for the fiscal years ended May 31, 1999 and 1998, audited by Virchow, Krause & Company, LLP, Certified Public Accountants, Minneapolis, Minnesota and prepared in accordance with SFAS #116 and SFAS #117. The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

Summaries of Current Funds Revenues, Expenditures and Transfers

The table on page I-10 sets forth summaries of revenues, expenditures and other changes for the University's Unrestricted Current Fund for the Fiscal Year ended May 31, 1995. The table on page I-11 sets forth the University's statements of unrestricted activities for Fiscal Years ended May 31, 1996 through 1999.

ST. MARY'S UNIVERSITY OF MINNESOTA
STATEMENT OF UNRESTRICTED CURRENT FUND
REVENUES, EXPENDITURES AND OTHER CHANGES

For the Year Ended May 31,

	1995	1996	1997	1998	1999
REVENUES					
Tuition and Fees	$18,174,076				
Government grants	47,116				
Private gifts and grants	822,792				
Private sponsored research and programs	2,844,320				
Endowment income	168,568				
Other sources	488,918				
Internal charges	126,528				
Matured deferred gifts	9,589				
Total Revenues Before Auxiliary Enterprises	22,681,907				
Auxiliary enterprises	4,270,314				
TOTAL REVENUES	26,952,221				
EXPENDITURES AND MANDATORY TRANSFERS					
Educational and General:					
Instruction	8,418,629		**See**		
Research	4,117				
Public service	733,621		**"Statement of**		
Academic support	3,735,236				
Student services	2,928,178		**Unrestricted Activities"**		
Institutional Support	2,429,163				
Operation and maintenance of the physical plant	1,523,500		**on following page**		
Scholarships and grants	2,178,457				
Educational and General Expenditures	21,950,901				
Mandatory transfers for					
Principal and interest	881,545				
Loan fund matching grant	596				
Total Educational and General	22,833,042				
Auxiliary Enterprises					
Expenditures	2,964,655				
Mandatory transfers for principal and interest	239,740				
Total Auxiliary Enterprises	3,204,395				
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	26,037,437				
EXCESS OF REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	914,784				
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)					
Unrestricted current fund to					
Endowment funds	(168,568)				
Unexpended plant funds	(1,085,886)				
NET DECREASE IN FUND BALANCE	($339,670)				

Source: Audited financial statements of the University for the fiscal year ended May 31, 1995.

ST. MARY'S UNIVERSITY OF MINNESOTA
Statement of Unrestricted Activities

For the years ended May 31,

	1995	1996	1997	1998	1999
REVENUES, GAINS AND OTHER SUPPORT	See "Statement of Unrestriced Current Fund Revenues, Expenditures and Other Changes" on previous page.				
Tuition & Fees		$19,895,050	$23,353,117	$28,811,048	$30,340,608
Less: Scholarships and grants		(3,310,189)	(3,544,163)	(4,086,584)	(4,468,200)
Net tuition and fees		16,584,861	19,808,954	24,724,464	25,872,408
Government grants		1,214,439	1,317,370	1,373,578	1,059,760
Private gifts and grants		781,009	685,539	796,179	1,095,791
Private sponsored research and programs		3,007,024	2,280,263	1,794,310	2,712,230
Endowment income		159,997	189,270	190,381	168,586
Other sources		716,492	650,511	648,814	782,685
Net gains on investments		596,655	436,911	924,925	446,120
Sales of services of auxiliary enterprises		4,484,162	4,584,327	4,743,459	4,836,809
		27,544,639	29,953,145	35,196,110	36,974,389
Net assets released from restrictions		3,999,710	2,555,665	2,696,815	1,794,402
Total Revenues, Gains and Other Supp		31,544,349	32,508,810	37,892,925	38,768,791
EXPENSES AND LOSSES					
Program expenses					
Instruction		10,326,184	11,458,530	13,575,004	14,360,251
Research		600,190	737,453	407,179	179,120
Public service		1,974,683	2,051,599	3,086,022	3,093,097
Academic support		3,928,605	3,735,917	3,185,719	3,308,384
Student services		4,737,725	5,069,263	5,873,884	6,707,015
Auxiliary enterprises		3,638,739	3,578,844	3,786,223	3,726,005
Support expenses					
Institutional support		2,931,972	3,193,337	3,676,394	4,088,330
Allocable expenses					
Operation and maintenance of plant			2,034,336	2,670,398	3,095,107
Depreciation			1,145,047	1,649,513	1,749,077
Interest			968,040	748,312	714,261
Less: Allocated expenses			(4,147,423)	(5,068,223)	(5,558,445)
Adjustment of actuarial liability for annuities payable		10,748	15,020	20,601	(68,063)
Total Expenses and Losses		28,148,846	29,839,963	33,611,026	35,394,139
Increase (Decrease) in Net Assets		3,395,503	2,668,847	4,281,899	3,374,652
NET ASSETS -- Beginning of Year		20,991,026	24,386,529	27,055,376	31,337,275
NET ASSETS -- END OF YEAR		**$24,386,529**	**$27,055,376**	**$31,337,275**	**$34,711,927**

Source: Audited financial statements of the University for fiscal years ended May 31, 1996 - 1999.

Long-Term Debt of the University as of May 1, 2000

1. $12,535,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-Q, issued in June 1993, interest rates of 5.20% to 6.15%, final payment due October 1, 2023; $11,250,000 is outstanding. The bonds are a general obligation of the University, secured by a Reserve Account.

2. $403,404 note payable to the U.S. Department of Education, interest rate of 3.0%, semiannual payments of $12,023 with a final payment in 2020. The note is secured by Heffron Hall student dormitory.

3. $1,037,118 Minnesota Higher Education Facilities Authority Master Financing Agreement, Series Five-F, interest rate of 5,85%, payable in 144 monthly base payments beginning October 29, 2000 of $8,541.47 each and 12 annual contingent payments beginning September 29, 2001 of $15,963.49 each. Principal outstanding as of May 1, 2000 is $1,037,118.

4. The Bonds.

Total of long-term debt outstanding as of May 1, 2000 adjusted to include the Bonds is $17,710,522.

Annual Debt Service by Fiscal Year and Coverage Statement

The table on page I-13 shows (i) the estimated debt service for each of such Fiscal Years on the Series Five-E Bonds; (ii) the annual debt service of the University for each of the listed Fiscal Years ending May 31 with respect to all other outstanding long-term indebtedness; (iii) the combined total annual debt service for each of such Fiscal Years; and (iv) the amount of coverage for the combined annual debt service provided by the "income available for debt service" for the Fiscal Year ending May 31, 1999, as further detailed in footnote (d) of the table.

This table is intended merely to show the relationship of Fiscal Year 1999 revenues of the University available for the payment of debt service to a pro forma statement of combined annual debt service of the University based on an assumed interest rate and amortization schedule with respect thereto. It is not intended and should not be considered a projection of future revenues, expenses, debt service or debt service coverage of the University. There is no assurance that the future revenues, expenses, debt service and debt service coverage of the University or the respective relationships thereof will correspond to the revenues, expenses and debt service or the respective relationships thereof shown by or reflected in the following table.

Annual Debt Service by Fiscal Year
and Coverage Statement
Saint Mary's University of Minnesota

Fiscal Year Ending May 31.	Estimated Debt Service on the Bonds (a)	Outstanding Long Term Debt Service (b)	Combined Long Term Debt Service (c)	Amount Available for Debt Serv (d)	Coverage (Times)
(1)	(2)	(3)	(4)	(5)	(6)
2000	$0	$1,082,378	$1,082,378	$4,791,157	4.43
2001	229,061	1,199,614	1,428,674	4,791,157	3.35
2002	392,588	1,202,284	1,594,872	4,791,157	3.00
2003	392,818	1,198,804	1,591,622	4,791,157	3.01
2004	392,641	1,199,251	1,591,892	4,791,157	3.01
2005	392,091	1,198,579	1,590,669	4,791,157	3.01
2006	391,158	1,166,756	1,557,914	4,791,157	3.08
2007	394,833	1,169,261	1,564,094	4,791,157	3.06
2008	392,813	1,154,011	1,546,824	4,791,157	3.10
2009	390,376	1,167,467	1,557,843	4,791,157	3.08
2010	392,511	1,164,076	1,556,587	4,791,157	3.08
2011	393,971	1,164,219	1,558,189	4,791,157	3.07
2012	394,671	1,269,618	1,664,289	4,791,157	2.88
2013	394,591	1,046,315	1,440,906	4,791,157	3.33
2014	393,711	1,046,425	1,440,136	4,791,157	3.33
2015	392,011	1,044,705	1,436,716	4,791,157	3.33
2016	394,566	1,046,003	1,440,568	4,791,157	3.33
2017	391,036	1,045,014	1,436,049	4,791,157	3.34
2018	391,738	1,046,576	1,438,314	4,791,157	3.33
2019	391,328	920,833	1,312,161	4,791,157	3.65
2020	394,791	922,629	1,317,419	4,791,157	3.64
2021	391,771	897,613	1,289,383	4,791,157	3.72
2022	392,591	898,720	1,291,311	4,791,157	3.71
2023	392,041	896,753	1,288,793	4,791,157	3.72
2024	390,121	0	390,121	4,791,157	12.28
2025	391,661	0	391,661	4,791,157	12.23
2026	(28,792)	0	(28,792)	4,791,157	N/A
Totals:	$9,651,483	$26,147,899	$35,799,382		

(a) Based on estimated market rates from May 2000. Debt Service on the Bonds is net of estimated reserve earnings.

(b) Includes MHEFA Series Three-Q, Series Five-F and non-MHEFA debt.

(c) Sum of Column 2 and Column 3.

(d)

Increase in unrestricted net assets for Fiscal Year 5/31/99			$3,374,652
Plus:	Depreciation		1,749,077
	Debt service interest		714,261
Less:	Net Assets released from Restriction for Land, Buildings & Equip.		(600,713)
	Net realized gains on other investments		(446,120)
Amount available for debt service:			$4,791,157

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APPENDIX II

PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON LLP

2200 NORWEST CENTER, 90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
TELEPHONE 612-336-3000
FACSIMILE 612-336-3026

$________
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Five-E
(Saint Mary's University of Minnesota)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book-entry) Revenue Bonds, Series Five-E (Saint Mary's University of Minnesota), in the aggregate principal amount of $________ (the "Bonds"), dated June 1, 2000, in the denomination of $5,000 each and integral multiples thereof, maturing on March 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

March 1 of the Year	Amount	Basic Interest Rate	March 1 of the Year	Amount	Basic Interest Rate

The Bonds are subject to mandatory sinking fund and optional redemption prior to the stated maturities thereof as provided in the Bonds and the Indenture. Interest on the Bonds is payable on each March 1 and September 1, commencing September 1, 2000. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds are subject to additional interest and optional redemption. Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the principal corporate trust office of Wells Fargo Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to Saint Mary's University of Minnesota, a Minnesota nonprofit corporation and institution of higher education headquartered in the City of Winona, Minnesota (the "University"), in order to finance acquisition, construction and equipping of a student residence building on its Winona campus. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the University and the Trust Indenture (the "Indenture") between the Authority and the Trustee, each dated as of June 1, 2000, one or more opinions of Ann E. Merchlewitz, Esq., Vice President of and General Counsel to the University, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the University without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Ann E. Merchlewitz, Esq. as to the Loan Agreement having been duly authorized and executed and being binding upon the University and as to the corporate organization, tax-exempt status, good standing and powers of the University, and as to title to the Project Site (as defined in the Loan Agreement and Indenture), without examining the records of the University or original title records or abstracts of title.

We have not been engaged or undertaken to verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (except only matters set forth as our opinion in the Official Statement).

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Authority is an agency of the State of Minnesota with authority under Sections 136A.25 to 136A.42, Minnesota Statutes, to issue the Bonds, to loan the proceeds thereof to the University and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.

2. The Loan Agreement and the Indenture are valid and binding instruments of the parties thereto, enforceable in accordance with their terms.

3. The Bonds are secured by the assignment of the loan repayments payable by the University under the Loan Agreement to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payment held by the Trustee under the Loan Agreement.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of Federal income taxation, and is not includable in taxable income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in accordance with general principles of law.

Dated at Minneapolis, Minnesota, June ____, 2000.

M1:618653.01

INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE

Annual Reporting

The Annual Report Date will be the earlier of (a) thirty days after the Board of Trustees of the University approves and accepts the audited financial statements or (b) 270 days after the fiscal year end, commencing with the fiscal year ended May 31, 2000. The Annual Report will contain:

1. Audited financial statements for the most recent complete fiscal year.

2. The following financial and operating data contained in Appendix I to the Final Official Statement:

a. Information as of the end of the most recent complete academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:

- Student Body
- Applications, Acceptances And Enrollments
- Student Retention
- Tuition and Fees
- Financial Assistance
- Faculty And Staff

b. Information as to gifts, bequests and grant support for the most recent complete fiscal year, identifying major sources.

c. Information as to any publicly announced capital campaign, including stated goals and progress toward the goals.

Material Events to be Disclosed

The events enumerated in Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, which are to be disclosed, if material, are as follows:

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults;
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties (this is not applicable to the Bonds);
(v) Substitution of credit or liquidity providers, or their failure to perform (this is not applicable to the Bonds);
(vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
(vii) Modifications to rights of security holders;
(viii) The giving of notice to redeem any Bonds other than for a sinking fund redemption;
(ix) Defeasances;
(x) Release, substitution, or sale of property securing repayment of the securities and;
(xi) Rating changes.

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APPENDIX IV

DEFINITION OF CERTAIN TERMS

Account or Accounts: One or more of the Accounts created under Article IV or V of the Indenture.

Act: Sections 136A.25 to 136A.42, Minnesota Statutes, as amended.

Additional Bonds: Any Additional Bonds issued by the Authority on behalf of the University pursuant to Section 2.09 of the Indenture.

Arbitrage Regulations: All Regulations and Proposed Regulations from time to time issued and in effect under Section 148 of the Internal Revenue Code (and former Section 103(c) of the Internal Revenue Code of 1954), including without limitation Treasury Regulations Sections 1.148-1 through 1.150-1, inclusive.

Authorized Authority Representative: The person at the time designated to act on behalf of the Authority by written certificate furnished to the University and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates.

Authorized Denominations: $5,000 and any integral multiples thereof.

Authorized Institution Representative: The person at the time designated to act on behalf of the University by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the University by the Chair, the Secretary-Treasurer or the Assistant Treasurer of its Board of Trustees or the President or the Vice President and General Counsel of the University. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the Accounts created under Articles IV and V of the Indenture and described in Section 5.04 of the Indenture.

Beneficial Owner: With respect to any authorized denomination of a Bond of any series in Book-Entry Form, each person who beneficially owns such Bond in such authorized denomination and on whose behalf, directly or indirectly, such authorized denomination of Bond is held by the Depository pursuant to the Book-Entry System.

Board of Trustees: The Board of Trustees of the University, and includes an Executive Committee, if any, authorized to act for such board.

Bond and Interest Sinking Fund Account: The Account established pursuant to the Indenture into which the Authority and Trustee shall deposit certain moneys for payment of principal of and interest on the Bonds.

Bond Closing: The original issuance, sale and delivery of any series of Bonds.

Bond Resolution: The Series Resolution of the Authority, adopted on May 17, 2000, authorizing the Series Five-E Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Sale Agreement: The Bond Sale Agreement, dated May 17, 2000, between the Authority and the University.

Bond Year: With respect to the Five-E Bonds, (a) the period from the Issue Date to the close of business on March 1, 2001 and (b) each succeeding 12-month period ending at the close of business on March 1 of each year in which the outstanding Series Five-E Bonds, if paid at their stated maturity dates, will be outstanding.

Bonds: The Series Five-E Bonds and any Additional Bonds.

Book-Entry Form: All Bonds of any series, if such Bonds are all held (i) in the name of the Depository (or its nominee) with each Stated Maturity evidenced by a single Bond certificate or (ii) with the approval of the University, Authority and Trustee, in any similar manner for which Beneficial Owners do not receive Bond certificates evidencing their beneficial ownership in any Bond of such series.

Book-Entry System: A system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and Participants (or Indirect Participants).

Building Equipment: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the University, located on the Project Site, and acquired with funds other than the proceeds of the Bonds.

Business Day: Any day other than Saturday, Sunday, a legal holiday in the State of Minnesota or any other day that the Depository or banks in Minnesota are not open for business.

Construction Account: The account established under the Indenture for the deposit of certain Bond proceeds and other funds to be used for the payment of Project Costs.

Depository or DTC: The Depository Trust Company in New York, New York, its successors or assigns, or any other person who shall be a Holder of all Bonds of any series directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, the University and the Trustee to act as the Depository; provided any Depository shall be registered or qualified as a "clearing agency" within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

Determination of Taxability: A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court competent jurisdiction to the effect that the interest payable on the Bonds is includable in gross income for purposes of federal income taxation by reason of the application of the provisions of Section 103 of the Internal Revenue Code, related sections and regulations thereunder, in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement. A determination that interest on the Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

Event of Default: An Event of Default described in the Indenture or Loan Agreement and summarized in this Official Statement in the sections entitled "THE INDENTURE – Events of Default" and "THE LOAN AGREEMENT – Events of Default."

Financial Journal: Northwestern Financial Review, The Bond Buyer, and any other newspaper or journal devoted to financial news published in the English language in Minneapolis or St. Paul, Minnesota, or in the City of New York, New York.

Fiscal Year: The University's fiscal year, and shall initially mean the 12-month period commencing on June 1 in each year.

General Bond Resolution: The General Bond Resolution adopted by the Authority on October 31, 1972, and any amendments thereto.

Holder, Bondholder or Owner: The person in whose name a Bond shall be registered.

Indenture: The Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, as Trustee, dated as of June 1, 2000, under which the Bonds are authorized to be issued, and including any indenture supplemental hereto.

Independent: Independent, when used with reference to an attorney, engineer, architect, certified public accountant, consultant, insurance consultant or other professional person, means a person who (i) is in fact independent, (ii) does not have any material financial interest in the University or the Institution the transaction to which such Certificate or opinion relates (other than the payment to be received for professional services rendered), and (iii) is not connected with the Authority or the University or Institution as an officer, employee or member of the Authority, the University or Institution or Board of Trustees of the University.

Independent Management Consultant: An Independent certified public accountant, Independent financial consultant or Independent management consultant having a favorable reputation for skill and experience in studying and reporting on operations of private nonprofit institutions of higher education satisfactory to the Authority.

Institution: Saint Mary's University of Minnesota, a Minnesota institution of higher education located in the City of Winona, Minnesota owned and operated by the University.

Internal Revenue Code: The Internal Revenue Code of 1986 and amendments thereto.

Issue Date: The date on which the Series Five-E Bonds are delivered to the original purchasers thereof upon original issuance.

Loan Agreement: The Loan Agreement between the Authority and the University dated June 1, 2000, as from time to time amended or supplemented.

Loan Repayments: Payments required to be made by the University to the Trustee pursuant to the Loan Agreement.

Net Proceeds: When used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the University as owner or lessee and the Trustee as secured party, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority, plus investment earnings thereon.

Outstanding: When used as of any particular time with reference to Bonds, without regard to capitalization of such term, means (subject to the provisions of Section 9.03 of the Indenture pertaining to Bonds held by the Authority and the University) all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds for the payment or redemption of which funds or direct obligations of or obligations fully guaranteed by the United States of America in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to Article III of the Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.07 of the Indenture pertaining to replacement of Bonds.

Permitted Encumbrances: Means, as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an Independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities (including, with respect to Project Equipment, purchase money security interests and equipment leases), and as do not in the aggregate, in the opinion of Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the University, and (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement.

Project: The Project consists of the construction, furnishing and equipping of a four-level apartment-style student residence building of approximately 41, 000 square feet and related site improvements, owned or to be owned and operated by the University and located between Gilmore Creek Residence Hall and the Brothers Residence on its main campus, the principal street address of which is 700 Terrace Heights, Winona, Minnesota, 55987.

Project Building: The facility is a four-level apartment-style student residence building.

Project Costs: Costs properly payable from the Construction Account in relation to the Project.

Project Equipment: All fixtures, equipment, and other personal property acquired with proceeds of the Bonds, including investment income, generally described in Exhibit B to the Loan Agreement.

Project Facilities: The Project Site, the Project Building, and the Project Equipment as the same may at any time exist.

Project Site: The land on which any Project Building is located or otherwise to be improved as part of the Project, described in Exhibit A to the Loan Agreement.

Redemption Account: The Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account, (ii) to create and maintain the required balance in the Reserve Account, and (iii) to redeem or prepay outstanding Bonds or to purchase outstanding Bonds for redemption and cancellation. Moneys in the Redemption Account may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the University or the Authority fails to provide for payment of any rebate.

Regular Record Date: The 15th day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

Reserve Account: The Reserve Account established under the Indenture, into which at Bond Closing will be placed Bond proceeds in the amount of the Reserve Requirement. Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient thereof and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the University or the Authority fails to provide for payment of any rebate.

Reserve Requirement: i) If no Additional Bonds are outstanding, the maximum amount of principal of and interest on the Bonds payable in any remaining Bond Year or (if less) 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) received from the issuance and sale of the Bonds or (if less) 125% of the average annual debt service of the Bonds or (ii) if Additional Bonds are outstanding, the sum of (A) the amount set forth in subsection (i) plus (B) the maximum amount of principal of and interest on Additional Bonds payable in any remaining Bond Year or (if less) 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) received from the issuance and sale of the Additional Bonds or (if less) 125% of the average annual debt service of the Additional Bonds.

Series Five-E Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-E (Saint Mary's University of Minnesota).

Stated Maturity: When used with respect to any Bond or any installment of interest thereon, the date specified in such Bond as the fixed date on which principal of such Bond or such installment of interest is due and payable.

Trustee: The trustee at the time serving as such under the Indenture, and initially the Trustee will be Wells Fargo Bank Minnesota, National Association.

Trust Estate: The interest of the Authority in the Loan Agreement assigned under Granting Clause I of the Indenture; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in Granting Clause II of the Indenture; and additional property held by the Trustee pursuant to Granting Clause III of the Indenture.

University: Saint Mary's University of Minnesota, a Minnesota nonprofit corporation, its successors and assigns.

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete and reference is made to the full text of the Loan Agreement for a complete recital of its terms. Certain words and terms used in this summary are defined in "DEFINITIONS OF CERTAIN TERMS," Appendix IV, contained herein.

Construction of Project

The University represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than May 31, 2001 subject only to "force majeure," as provided in the Loan Agreement. The University may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the University, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds and an opinion of counsel to such effects is furnished. The University agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds, including investment earnings in the Construction Account.

Loan Repayments

Under the Loan Agreement, the University agrees to make Loan Repayments which in the aggregate shall be in an amount sufficient to pay, in full and when due, all of the Bonds. To provide for the repayment of the Loan, until the principal of, premium, if any, and interest on the Series Five-E Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the University covenants and agrees to pay for the account of the Authority the following amounts:

(a) At least one (1) business day prior to each March 1 and September 1, commencing September 1, 2000, the University shall deposit into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest, or as principal and interest, on the Series Five-E Bonds on such interest payment date, and, at least one (1) Business Day prior to each March 1, commencing on March 1, 2002, a sum equal to the amount payable as principal of the Series Five-E Bonds on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account (including amounts transferred from the Construction Account pursuant to Sections 4.03 and 4.04 of the Indenture), and (ii) any credits permitted by Sections 5.02, 5.03 or 5.04 of the Indenture; and

(b) On or prior to a date established for the optional redemption or mandatory and prepayment of Series Five-E Bonds pursuant to Sections 4.06, 5.08, 5.09 or 6.09 of the Loan Agreement, The University shall deposit into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Five E Bonds called for redemption from the Redemption Account; and

(c) The University shall deposit forthwith into the Bond and Interest Sinking Fund Account or Redemption Account, as appropriate, the amount of any deficiency in the event that the funds on deposit in the Bond and Interest Sinking Fund Account or Redemption Account on any Bond principal or interest payment date are for any reason insufficient to pay principal of and interest on the Series Five-E Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and

(d) The University shall deposit into the Reserve Account forthwith any amounts required to be deposited therein by Section 5.02 of the Indenture; and

(e) The University shall deposit into any fund or account designated by the Trustee such amount as may be determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture; and

(f) At least one (1) Business Day prior to each March 1, commencing March 1, 20__, into the Sinking Fund Subaccount, a sum which will be equal to the amount, if any, as shall be necessary and sufficient to redeem on the next succeeding March 1, at par plus accrued interest, the amount of Series Five-E Bonds specified in Section 5.01 of the Indenture.

Each payment under this Section shall be made directly to the Trustee at its principal corporate trust office for the account of the Authority for deposit as provided in the Indenture. The University shall furnish to the Authority, if the Authority so requests, advise of the transmittal of such payments at the time of transmittal of payment.

The University also agrees to additional payments as follows:

(a) To pay to the Trustee, promptly after being billed, until the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of the Indenture, (I) an amount equal to the fee of the Trustee, as trustee, for the ordinary services of the Trustee rendered for acting as trustee, registrar and paying agent on the Bonds as provided in the Indenture, as and when the same becomes due, and its ordinary expenses incurred under the Indenture during the preceding billing period, and (ii) the reasonable fees and charges of the Trustee for necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, as and when the same become due; provided, the University may, without creating a default hereunder contest in good faith the necessity for any such extraordinary services and extraordinary expenses and the reasonableness of any such fees, charges or expenses; and

(b) to pay to the Authority, at its office, on the Issue Date the sum of Two Thousand One Hundred Thirty-Seven and 50/100 Dollars ($2,137.50, reflecting a one-time discount of 50% and net of the Authority's one-time application fee in the amount of $1,000) and on the anniversary thereof in each of the years 2001 through 2025, the sum equal to .125 of 1% of the then outstanding principal amount of the Series Five-E Bonds as an annual fee, to be used by the Authority for its general purposes; and

(c) to the Trustee or Authority, as the case may be, upon demand, amounts advanced by the Trustee for the account of the Authority or the University under Section 8.12 or 8.14 of the Indenture or advanced by the Authority or Trustee under Section 7.04 or 7.05 of the Loan Agreement; and

(d) to the Authority, at its office, the University's pro rata share of the fees and expenses of independent auditors employed by the Authority to audit the records and accounts of the Authority, from time to time, including accounts held by the Trustee under the Indenture, as such pro rata share is established by the Authority.

The University shall furnish to the Authority, at its office, advice of the transmittal of all payments under paragraph (a) (ii) or paragraph (c) of this Section at the time of transmittal to any person other than the Authority.

There is reserved to the University the right to prepay all or part of the Loan and to redeem Bonds prior to their maturity in certain events as described under "THE BONDS."

Use of Project Facilities

The University agrees to use the Project Facilities as educational facilities, in compliance with law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with a program of a school or department of divinity for any religious denomination. The University agrees not to permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under the Internal Revenue Code or loss of its status as an exempt organization under Section 501(c)(3) of the Code.

Maintenance of Project Facilities

The University agrees that, so long as there are Bonds outstanding, the University will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs, modifications and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation. The University may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities, so long as the tax-exempt status of the Bonds will not be affected thereby. Such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, or the Act, and the University shall remain fully obligated under the Loan Agreement as if such lease, sublease or use agreement had not been made.

Operating Expenses and Liens

Except for Permitted Encumbrances, the University will not permit any liens to be established or to remain against the Project Facilities including any mechanics liens for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements, provided the University may in good faith contest any liens filed or established against the Project Facilities and may permit the items so contested to remain undischarged and unsatisfied during the period of such contest unless the Authority or Trustee shall notify the University that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities will be subject to loss or forfeiture, in which event the University shall promptly pay all such items.

Taxes and Other Governmental Charges

The University will pay all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the operations of the University, or the Project Facilities or any improvements, equipment or related property installed or brought by the University therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

The University may, at its expense, in good faith contest any such taxes, assessments, license fees and other charges and may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest unless the Authority or the Trustee shall notify the University that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities or any part thereof, or the revenue therefrom will be subject to loss or forfeiture, in which event such items shall be paid promptly.

Insurance

The University is required to maintain, or cause to be maintained, insurance as follows:

(a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Facilities, with a deductible amount of up to $250,000.

(b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $10,000,000, with a deductible amount of not more than $250,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of $250,000.

(c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the University.

Upon the written request of the University, the Trustee (i) may permit modifications to such insurance requirements and deductible amounts, including permission for the University to be self-insured in whole or in part for any comprehensive general public liability, upon such terms and conditions as the Trustee may require, and (ii) shall permit modifications to such insurance requirements and deductible amounts, including permission for self-insurance, in accordance with the recommendation of an independent insurance consultant employed by the University and satisfactory to the Trustee.

The University is required to furnish to the Trustee policies or certificates or binders evidencing the required insurance. Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the University and the Trustee at least thirty days before the cancellation or modification becomes effective.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than $1,000,000, the University will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $1,000,000, the University shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

If the Bonds are redeemed, the available Net Proceeds shall be used for redemption or purchase of outstanding Bonds.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to the Project Facilities, and site thereof, shall be taken in any proceeding involving the exercise of the right of eminent domain, the University shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

If the Bonds are redeemed, the available Net Proceeds (or if less, the prorata portion) in respect to an Project Building and site thereof which the University elects not to repair, rebuild, or restore shall be used for redemption or purchase of outstanding Bonds. For purposes of this provision, "prorata portion" shall be defined as set forth above under "Damage or Destruction."

Removal of Project Equipment and Building Equipment

The University may remove or release Project Equipment and Building Equipment from the Project Facilities if no Default exists and upon the following conditions:

(a) the University may substitute furnishings, equipment and related property for any Project Equipment and Building Equipment, provided that such substitution shall not materially impair the character or revenue producing significance of the Project Facilities;

(b) the University may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the University pays a sum equal to the then value of such Project Equipment as determined by an independent engineer selected by the University, to the Trustee for deposit in the Redemption Account; provided that if the depreciated book value of the equipment so released was less than $25,000, such release and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent Engineer upon such showing by the University as may be satisfactory to the Trustee;

(c) the University may remove any Building Equipment without substitution therefor provided that such removal will not materially impair the character or revenue producing significance of the Project Facilities.

In connection with (a), (b), and (c) above, if the depreciated book value of the Project Equipment or Building Equipment to be substituted, removed or released equals or exceeds $25,000 the University will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, removal or release of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.

Indemnification

The University agrees to hold the Authority, its members and employees, harmless against any claim, cause of action, suit or liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project Facilities and the use thereof, including that caused by any negligence of the Authority or anyone acting in its behalf, provided that the indemnity shall be effective only to the extent of any loss that may be sustained by the Authority in excess of the net proceeds received by the Authority from any insurance carried with respect to the loss sustained.

The University agrees to indemnify and hold harmless the Authority against any and all losses, claims, damages or liability to which the Authority may become subject under law, and to reimburse the Authority for any out-of-pocket legal and other expenses (including reasonable counsel fees) incurred by the Authority in connection with investigating any such losses, claims, damages, or liabilities or in connection with defending any actions, insofar as the same relate to information furnished to the Authority by the University in connection with the sale of the Bonds.

University to Maintain its Existence and Accreditation

The University agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and maintain the Institution as an institution of higher education under the laws of Minnesota and its accreditation as an institution of higher education by recognized accrediting agencies and that it will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another institution except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee institution, as the case may be, is other than the University, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the University in the Loan Agreement and the Security Agreement, and be either a state university or University or a nonprofit corporation and a nonprofit Institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful discrimination and requiring that the institution be nonsectarian; and (b) the University shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

$150,000,000 Limitation on Outstanding Non-Hospital Bonds

The University has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt non-hospital bonds issued on behalf of or for the benefit of the University and all organizations under common management or control with the University (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000. Under the Loan Agreement, unless the University obtains an opinion of nationally recognized bond counsel that the tax-exempt status of the Bonds will not be affected, in no event will the University affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets as an entirety if the effect of any such transaction would be to cause the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the University or such other resulting entity, and all organizations under common management or control with the University or such resulting entity (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, to exceed $150,000,000 and if the effect of exceeding such amount would be to adversely affect the tax exempt status of the Bonds.

Federal Income Tax Status

The University represents that it presently is and agrees that it shall take all appropriate measures to assure that it remains an organization described in Section 501 (c) (3) of the Internal Revenue Code, exempt from income taxes under Section 501 (a) of such Code.

Institution to be Nonsectarian

The University agrees that the Institution will continue to be nonsectarian; will not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect. All courses of study at the Institution, including any religion or theology courses, will be taught according to the academic requirements of the subject matter and professional standards.

Determination of Taxability

In the event a Determination of Taxability is made that interest payable on the Bonds is includable in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability until the date on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, as a whole or in part on the next date for which due notice can be given and any date thereafter at a redemption price equal to par plus accrued interest plus additional interest from the Date of Taxability.

Financial Covenants

The University covenants and agrees, so long as the Bonds shall remain outstanding, to comply with the financial covenants described under the heading "Summary of Security for the Bonds" in this Official Statement. In addition, the Loan Agreement includes provisions governing the calculation of Maximum Annual Debt Service covering, among other things, variable rate indebtedness, guarantees, balloon indebtedness, put indebtedness, refunded debt and subordinated debt.

Other Covenants

The University further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate on account of religion, race, color, creed or national origin in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Authority or Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Services Office, subject to the right of contest. The University agrees to indemnify the Authority from losses arising from certain representations made by the University regarding the absence of hazardous waste on the Project Facilities.

The Authority further agrees to comply with the applicable rebate requirements imposed under Section 148 of the Internal Revenue Code with respect (but only with respect) to amounts paid by the University to the Authority as the Authority's annual fee under the Loan Agreement.

Negative Pledge

The University covenants that it will not mortgage, grant a lien upon, pledge, grant a security interest in, make an assignment of its interest in or permit the creation of any encumbrance on the Negative Pledge Property. The University may lease or sublease or enter into agreements in the ordinary course of business for the use of all or any part of the Negative Pledge Property so long as (I) the tax exempt status of the Bonds will not be affected thereby, (ii) no such lease, sublease or agreement is inconsistent with the provisions of the Loan Agreement, and (iii) the University remains fully obligated under the Loan Agreement as if such lease, sublease or agreement had not been made.

Events of Default

Following are Events of Default under Section 7.01 of the Loan Agreement:

(a) If the University shall fail to make any Loan Repayment when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account, or Redemption Account, as the case may be, on a Bond principal or interest payment date or redemption date are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (ii) such failure shall continue for 5 Business Days after notice from the Trustee or the Authority to the University that such payment has not been made; or

(b) If the University shall fail to comply with the provisions of Section 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or

(c) If the University shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement, provided failure to comply with such requirement shall not become an Event of Default unless the University fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the University by the Authority or the Trustee; or

(d) If the University shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied; or

(e) If the University files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the University; or

(f) If a court of competent jurisdiction shall enter an order, judgment or decree against the University in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the University or of the whole or any substantial part of the property of the University, and such order, judgment or decree shall not be vacated or set aside or stayed within ninety days from the date of the entry thereof; or

(g) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the University or of the whole or any substantial part of its property, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control.

The term "force majeure" as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the University. The provisions of paragraph (d) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty days after notice and if the University has taken all action reasonably possible to remedy such default within such thirty-day period, the default shall not become an Event of Default for so long as the University shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The University agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the University from carrying out its agreements.

Remedies on Default

Whenever any Event of Default shall have happened, and be subsisting, the Loan Agreement provides that any one or more of the following steps may be taken:

(a) The Trustee may declare all or any amount of Loan Repayments thereafter to become due and payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Trustee (or the Authority with respect to certain sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due.

(c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Loan Agreement or the Indenture in accordance with the provisions thereof.

Any amounts collected by the Trustee pursuant to the actions set forth above shall be applied first to advances and expenses, and then to payment of interest, principal and premium, if any, on the Bonds as provided in Section 7.04 of the Indenture, and any excess to the University.

Amendments

Except as otherwise provided in the Loan Agreement or in the Indenture, subsequent to issuance of the Bonds and so long as any Bonds are outstanding, the Loan Agreement may not be amended without the prior written consent of the Trustee.

THE INDENTURE

The following constitutes a summary of certain provisions of the Trust Indenture (the "Indenture"). This summary does not purport to be complete and reference is made to the full text of the Indenture for a complete recital of its terms. Certain words and terms used in this summary are defined in "DEFINITIONS OF CERTAIN TERMS," Appendix IV, contained herein.

Granting Clauses

Pursuant to the Indenture, the Authority grants to the Trustee, as security for the Holders of the Bonds, the following:

(1) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the Authority's annual fee and rights to indemnity and reimbursement;

(2) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

(3) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the University or by anyone in behalf of them or with their written consent, to the Trustee.

Accounts

Bond proceeds and revenues derived under the Loan Agreement or Indenture shall be deposited into accounts held by the Trustee as described in "ACCOUNTS," contained in the body of this Official Statement.

Trustee's Right to Payment

The Trustee shall have a first lien, with right of payment prior to payment of interest on or principal of the Bonds for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence, breach of contract, breach of fiduciary duty, willful misconduct, or willful default of the Trustee).

Additional Bonds

In addition to the Bonds, the Indenture permits the issuance of one or more series of Additional Bonds by the Authority, acting at the request of the University, equally and ratably secured on a parity with the Bonds to provide funds for the following purposes: (i) completion of the Project, (ii) refunding of all or any series or portion of series of then outstanding Bonds or Additional Bonds, (iii) improvements or alterations, repairs or replacement of the Project Facilities, or (iv) other project or projects as authorized by the Act.

The issuance of Additional Bonds requires, among other things, evidence satisfactory to the Authority of the University's ability to meet debt service on the Additional Bonds and comply with certain financial covenants set forth in the Loan Agreement. Furthermore, to the extent required by the Authority, the University shall make additional deposits to the Reserve Account and execute supplements to the Loan Agreement and the Indenture. Additional Bonds may not be issued unless in the opinion of bond counsel the interest on the outstanding Bonds remains excludable from gross income of the holders for federal income tax purposes.

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or money in the Accounts.

Events of Default

The following are Events of Default under the Indenture:

(a) If payment of the principal of any of the Bonds, when the same shall become due and payable (whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise), shall not be made; or

(b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or

(c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the University (giving the University the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

(d) If any "event of default" on the part of the University, as that term is defined in the Loan Agreement, shall occur and be continuing.

Remedies

Upon the occurrence of an Event of Default, the Trustee may, and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding shall, by notice in writing delivered to the Authority, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable subject, however, to the right of the Holders of a majority in aggregate principal amount of Bonds then outstanding, by written notice to the Authority and to the Trustee, to annul such declaration and destroy its effect at any time if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest upon all Bonds outstanding and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other indebtedness secured by the Indenture (except the principal of any Bonds which have not then attained their stated maturity and interest accrued on such Bonds since the last interest payment date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

In the case of the breach of any of the covenants or conditions of the Loan Agreement, the Security Agreement, or the Indenture, the Trustee, anything therein contained to the contrary notwithstanding and without any request from any Bondholder (subject, however to its rights to indemnity and notice provided in the Indenture), shall be obligated to take such action or actions for the enforcement of its rights and the rights of the Bondholders and the rights of the Authority under the Loan Agreement as due diligence, prudence and care would require and to pursue the same with like diligence, prudence and care.

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to its reference or prime rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the University to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of $10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court.

Concerning the Bondholders

No Bondholder shall have any right to institute any proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the equal benefit of the Holders of all Bonds outstanding.

The Trustee, upon the written request of the Holders of a majority in principal amount of the Bonds at the time outstanding, shall waive any default under the Indenture and its consequences, except a default in the payment of the principal of the Bonds at the date of maturity specified therein; provided, however, that a default in the payment of interest on the Bonds shall not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the Trustee shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same. In case of any such waiver, the Authority, the Trustee and the Holders of the Bonds shall be restored to their former positions and rights respectively. No waiver of any default or Event of Default, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Provision is made for meetings of Bondholders, proof of ownership of Bonds and execution of consents and other instruments by Bondholders.

Defeasance

If the Authority and the University shall:

(a) pay or cause to be paid the principal of, and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or

(b) provide for the payment of principal and interest, if any, on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all Bonds outstanding, or

(c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the University for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or

(d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided,

and shall also pay or provide for the payment of the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148 of the Internal Revenue Code, then at the request of the Authority or the University all the Trust Estate shall revert to the Authority and the University as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent (and, in the case of defeasance under paragraph (b) above, as to effect on tax exempt status), and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

When the Authority or the University shall have deposited at any time with the Trustee in trust for the purpose, in the manner provided, or left with it if previously so deposited, cash or direct obligations of the United States of America sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due date of such interest or to the date fixed for redemption, for the use and benefit of the Holders thereof, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue.

Supplemental Indentures

The Authority and the Trustee may enter into such supplemental indentures as shall by them be deemed necessary or desirable for any one or more of the following purposes, among others:

(a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Bonds under the Indenture;

(b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority or any successor;

(c) to evidence the succession of any other department, agency, body or corporation to the Authority;

(d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or in any supplemental indentures or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any supplemental indenture and which shall not impair the security of the same;

(e) to create a series of and authorize Additional Bonds; and.

(f) to modify the Indenture as authorized by the Bondholders pursuant to Section 11.04 of the Indenture.

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Bonds (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture (except as provided in Section 2.09 of the Indenture), or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or to amendments to the Loan Agreement.

Amendments to the Loan Agreement

The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement or Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission, or (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement or (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than 51% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the loan repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

The Bonds shall be fully registered as to principal and interest at the office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and basic interest rate of any authorized denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee.

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AUDITED FINANCIAL STATEMENTS
FISCAL YEARS ENDED MAY 31, 1999 AND 1998

Virchow, Krause & Company, LLP

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Saint Mary's University of Minnesota
Winona, Minnesota

We have audited the accompanying statements of financial position of Saint Mary's University of Minnesota as of May 31, 1999 and 1998 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint Mary's University of Minnesota at May 31, 1999 and 1998 and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

VIRCHOW, KRAUSE & COMPANY, LLP

Virchow, Krause & Company, LLP

Minneapolis, Minnesota
July 15, 1999

SAINT MARY'S UNIVERSITY OF MINNESOTA

STATEMENTS OF FINANCIAL POSITION
May 31, 1999 and 1998

ASSETS

	1999	1998
Cash and cash equivalents	$ 3,495,598	$ 4,455,836
Receivables		
Student accounts, net of allowance for doubtful accounts of $190,000 each year	3,776,276	2,898,531
Contributions (Note 4)	2,762,000	2,674,000
Other	228,964	164,232
Prepaid expenses and other assets	25,571	137,168
Student notes receivable, net of allowance for doubtful notes of $500,000 and $450,000	2,763,772	2,728,756
Endowment investments		
Cash and short-term investments	2,397,619	687,026
Certificates of deposit	5,000	5,000
Marketable securities (Note 5)	12,967,615	11,938,438
Cash surrender value of life insurance	33,065	30,717
Certificates of deposit	1,000,000	
Other investments	12,029	11,476
Deposits with trustees		
Cash and short-term investments	28,592	81,044
U.S. government securities	887,904	878,420
Funds held in trust by others (Note 6)	404,600	417,000
Construction in progress (Note 7)	926,463	624,061
Property, plant and equipment, net (Note 8)	34,099,167	32,764,874
TOTAL ASSETS	$ 65,814,235	$ 60,496,579

LIABILITIES AND NET ASSETS

	1999	1998
LIABILITIES		
Accounts payable	$ 1,027,292	$ 939,746
Accrued liabilities	1,236,093	1,172,084
Deposit accounts	887,522	778,834
Deferred revenue	2,822,581	2,279,379
Contract for deed payable (Note 9)	180,000	210,000
Loan payable to U.S. Department of Education (Note 10)	403,404	415,084
Bonds payable to Minnesota Higher Education Facilities Authority (Note 11)	11,595,000	11,800,000
Annuities payable	774,550	136,077
Deposits held in custody for others	26,353	27,447
Government grants refundable	2,572,434	2,272,529
Total Liabilities	21,525,229	20,031,180
NET ASSETS (Note 2)		
Unrestricted	34,711,917	31,337,265
Temporarily restricted	934,294	1,250,885
Permanently restricted	8,642,795	7,877,249
Total Net Assets	44,289,006	40,465,399
TOTAL LIABILITIES AND NET ASSETS	$ 65,814,235	$ 60,496,579

See accompanying notes to financial statements.

SAINT MARY'S UNIVERSITY OF MINNESOTA

STATEMENT OF ACTIVITIES
Year Ended May 31, 1999
With Comparative Totals for 1998

	1999 Unrestricted	1999 Temporarily Restricted	1999 Permanently Restricted	1999 Total	1998 Total
REVENUES, GAINS AND OTHER SUPPORT					
Tuition and fees	$ 30,340,608			$ 30,340,608	$ 28,811,048
Less: Scholarships and grants	(4,468,200)			(4,468,200)	(4,086,584)
Net tuition and fees	25,872,408			25,872,408	24,724,464
Government grants	1,059,760			1,059,760	1,373,578
Private gifts and grants	1,095,791	$ 977,404	$ 762,846	2,836,041	3,747,810
Private sponsored research and programs	2,712,230			2,712,230	1,794,310
Endowment income	168,586	196,395		364,981	359,684
Other sources	782,685	(15,100)	2,700	770,285	648,814
Net gains on investments	446,120	319,112		765,232	1,705,719
Sales and services of auxiliary enterprises	4,836,809			4,836,809	4,743,459
	36,974,389	1,477,811	765,546	39,217,746	39,097,838
Net assets released from restrictions (Note 3)	1,794,402	(1,794,402)			
Total Revenues, Gains and Other Support	38,768,791	(316,591)	765,546	39,217,746	39,097,838
EXPENSES AND LOSSES					
Program expenses					
Instruction	14,360,251			14,360,251	13,575,004
Research	179,120			179,120	407,179
Public service	3,093,097			3,093,097	3,086,022
Academic support	3,308,384			3,308,384	3,185,719
Student services	6,707,015			6,707,015	5,873,884
Auxiliary enterprises	3,726,005			3,726,005	3,786,223
Support expenses					
Institutional support	4,088,330			4,088,330	3,676,394
Allocable expenses					
Operation and maintenance of plant	3,095,107			3,095,107	2,670,398
Depreciation	1,749,077			1,749,077	1,649,513
Interest	714,261			714,261	748,312
Less: Allocated expenses	(5,558,445)			(5,558,445)	(5,068,223)
Adjustment of actuarial liability for annuities payable	(68,063)			(68,063)	20,601
Total Expenses and Losses	35,394,139			35,394,139	33,611,026
Increase (Decrease) in Net Assets	3,374,652	(316,591)	765,546	3,823,607	5,486,812
NET ASSETS - Beginning of Year	31,337,265	1,250,885	7,877,249	40,465,399	34,978,587
NET ASSETS - END OF YEAR	$ 34,711,917	$ 934,294	$ 8,642,795	$ 44,289,006	$ 40,465,399

See accompanying notes to financial statements.

SAINT MARY'S UNIVERSITY OF MINNESOTA

STATEMENT OF ACTIVITIES
Year Ended May 31, 1998

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and fees	$ 28,811,048			$ 28,811,048
Less: Scholarships and grants	(4,086,584)			(4,086,584)
Net tuition and fees	24,724,464			24,724,464
Government grants	1,373,578			1,373,578
Private gifts and grants	796,179	$ 1,501,665	$ 1,449,966	3,747,810
Private sponsored research and programs	1,794,310			1,794,310
Endowment income	190,381	169,303		359,684
Other sources	648,814			648,814
Net gains on investments	924,925	780,794		1,705,719
Sales and services of auxiliary enterprises	4,743,459			4,743,459
	35,196,110	2,451,762	1,449,966	39,097,838
Net assets released from restrictions (Note 3)	2,696,805	(2,696,805)		
Total Revenues, Gains and Other Support	37,892,915	(245,043)	1,449,966	39,097,838
EXPENSES AND LOSSES				
Program expenses				
Instruction	13,575,004			13,575,004
Research	407,179			407,179
Public service	3,086,022			3,086,022
Academic support	3,185,719			3,185,719
Student services	5,873,884			5,873,884
Auxiliary enterprises	3,786,223			3,786,223
Support expenses				
Institutional support	3,676,394			3,676,394
Allocable expenses				
Operation and maintenance of plant	2,670,398			2,670,398
Depreciation	1,649,513			1,649,513
Interest	748,312			748,312
Less: Allocated expenses	(5,068,223)			(5,068,223)
Adjustment of actuarial liability for annuities payable	20,601			20,601
Total Expenses and Losses	33,611,026			33,611,026
Increase (Decrease) in Net Assets	4,281,889	(245,043)	1,449,966	5,486,812
NET ASSETS - Beginning of Year	27,055,376	1,495,928	6,427,283	34,978,587
NET ASSETS - END OF YEAR	$ 31,337,265	$ 1,250,885	$ 7,877,249	$ 40,465,399

See accompanying notes to financial statements.

SAINT MARY'S UNIVERSITY OF MINNESOTA

STATEMENTS OF CASH FLOWS
Years Ended May 31, 1999 and 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 3,823,607	$ 5,486,812
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities		
Depreciation	1,749,077	1,649,513
Net gains on investments	(765,232)	(1,705,719)
(Increase) decrease in funds held in trust by others	12,400	(326,000)
Actuarial adjustment of annuities payable	(39,806)	20,601
Loan cancellations and reinstatements	6,239	4,775
Increase in allowance for doubtful notes receivable	50,000	
Changes in Assets and Liabilities		
Student receivables	(877,745)	716,733
Contributions receivable - operations	(494,000)	50,000
Other receivables	(64,732)	170,096
Prepaid expense and other assets	111,597	63,433
Accounts payable	87,546	225,854
Accrued liabilities	64,009	(75,607)
Deposit accounts	108,688	68,437
Deferred revenue	543,202	243,076
Deposits held in custody for others	(1,094)	1,454
Contributions of equipment	(22,500)	
Contributions restricted for long-term investment and plant	(1,377,868)	(2,114,526)
Net Cash Provided By Operating Activities	2,913,388	4,478,932
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (purchases) of endowment investments, net	(1,997,923)	418,054
Purchases of other investments, net	(979,516)	(934)
Drawdowns of deposits with trustee, net	42,968	33,429
Purchases of property, plant and equipment	(3,363,272)	(2,651,491)
Disbursements of loans to students	(475,068)	(421,370)
Repayments of loans from students	383,813	395,199
Net Cash Used For Investing Activities	(6,388,998)	(2,227,113)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on indebtedness	(246,680)	(236,337)
Contributions received restricted for long-term investment and plant	2,473,068	1,694,526
Increase (decrease) in refundable governmental grants	299,905	(304,165)
Payments to annuitants	(10,921)	(20,883)
Net Cash Provided By Financing Activities	2,515,372	1,133,141
Net Increase (Decrease) in Cash and Cash Equivalents	(960,238)	3,384,960
CASH AND CASH EQUIVALENTS - Beginning of Year	4,455,836	1,070,876
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,495,598	$ 4,455,836
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	$ 715,943	$ 749,859

See accompanying notes to financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Saint Mary's University of Minnesota, a Catholic liberal arts university, offers accredited bachelor's, master's and doctoral degree programs. The University has the sponsorship of the DeLaSalle Christian Brothers, an international Roman Catholic teaching order, which has residual rights to the property of the University. The accounting policies of the University reflect practices common to colleges and universities and conform to generally accepted accounting principles. The more significant accounting policies are summarized below:

General - The University maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets—permanently restricted, temporarily restricted or unrestricted, as follows:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by action of the University and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions of assets other than cash are recorded at their estimated fair value.

Income and net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- as increases in unrestricted net assets in all other cases.

Temporarily Restricted Net Assets - With respect to temporarily restricted net assets, the University has adopted the following accounting policies:

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily Restricted Net Assets (Continued)

Reporting as Temporarily Restricted Revenues - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Release of Restrictions on Net Assets for Acquisition of Land, Buildings and Equipment - Contributions of land, buildings and equipment are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time such long-lived assets are placed in service.

Grants to Specified Students - Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the University. The amount of such grants approximated $1,244,340 and $475,758, respectively, during the year ended May 31, 1999 and $1,028,200 and $413,998, respectively, during the year ended May 31, 1998.

Cash Equivalents - The University considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

Investments - Investments in marketable equity and debt securities are recorded at fair value. Other investments are recorded at cost, except those items received as gifts, which are valued at fair market value at the date of gift. Fair value approximates cost for all investments recorded on the cost basis.

Fund-Raising and Advertising Expenses - Fund-raising expenses totaled $592,600 and $489,000 for the years ended May 31, 1999 and 1998, respectively. Advertising expenses totaled $213,000 and $200,100 for the years ended May 31, 1999 and 1998, respectively. The University expenses advertising at the time incurred.

Deposits with Trustee - Deposits with trustee include amounts restricted for debt service as required by the related trust indenture.

Physical Plant and Equipment - Physical plant assets are stated at cost at date of acquisition less accumulated depreciation. The University depreciates its assets on the straight-line basis over the estimated useful lives of buildings (50 years), land improvements (15 years), equipment (5-10 years), and library books (10 years). Normal repair and maintenance expenses are charged to operations as incurred. The University capitalizes physical plant additions in excess of $1,000.

Tax Status - The University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, any unrelated business income may be subject to taxation. Currently, the University has no obligation for any unrelated business income tax.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Permanently restricted net assets consist of the following at May 31, 1999 and 1998:

	1999	1998
Endowment funds	$ 7,484,295	$ 5,944,249
Charitable remainder unitrust	310,800	
Funds held in trust by others	93,700	91,000
Contributions receivable	754,000	1,842,000
	$ 8,642,795	$ 7,877,249

Temporarily restricted net assets consist of the following at May 31, 1999 and 1998:

	1999	1998
Gifts and other unexpended revenues and gains available for:		
Acquisition of buildings and equipment	$ 114,394	$ 92,885
Funds held in trust by others	310,900	326,000
Contributions receivable	509,000	832,000
	$ 934,294	$ 1,250,885

At May 31, 1999 and 1998, the University's unrestricted net assets were allocated as follows:

	1999	1998
Operations	$ 933,901	$ 585,597
Long-term investment (quasi-endowment funds)	9,092,034	7,916,932
Annuity funds	34,592	70,156
Loans to students	328,599	327,121
Retirement of indebtedness	733,673	753,260
Replacement of plant facilities	2,841,385	2,544,409
Net investment in plant	20,747,733	19,139,790
	$ 34,711,917	$ 31,337,265

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors during the years ended May 31, 1999 and 1998 as follows:

	1999	1998
Acquisition of property, plant and equipment	$ 600,713	$ 988,033
Scholarships, instruction and other departmental support	1,193,689	1,708,772
	$ 1,794,402	$ 2,696,805

These assets were reclassified to unrestricted net assets.

SAINT MARY'S UNIVERSITY OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS
May 31, 1999 and 1998

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at May 31, 1999 and 1998:

	1999	1998
Unrestricted	$ 499,000	
Temporarily restricted - scholarships	10,000	$ 15,000
Temporarily restricted - plant projects	523,000	857,000
Permanently restricted - endowment	1,884,000	2,034,000
Gross unconditional promises to give	2,916,000	2,906,000
Less: Unamortized discount	(154,000)	(232,000)
Net Unconditional Promises to Give	$ 2,762,000	$ 2,674,000
Amounts due in:		
Less than one year	$ 1,906,039	
One to five years	1,009,961	
	$ 2,916,000	

Promises due in one to five years were discounted at an interest rate of 6% at May 31, 1999 and 1998. Promises due in less than one year were not discounted.

NOTE 5 - MARKETABLE SECURITIES

Marketable securities recorded in the endowment funds consist of the following at May 31, 1999 and 1998:

	1999		1998	
	Fair Value	Cost	Fair Value	Cost
Bonds			$ 2,100	$ 2,100
Stocks	$ 175,485	$ 123,734	152,443	125,009
Mutual funds	12,792,130	7,910,604	11,783,895	8,124,299
	$ 12,967,615	$ 8,034,338	$ 11,938,438	$ 8,251,408

NOTE 6 - FUNDS HELD IN TRUST BY OTHERS

The following irrevocable trusts were held by outside parties for the benefit of the University at May 31, 1999 and 1998:

	1999	1998
Charitable lead trusts	$ 183,600	$ 197,000
Charitable remainder unitrusts	221,000	220,000
	$ 404,600	$ 417,000

NOTE 7 - CONSTRUCTION IN PROGRESS

At May 31, 1999, the University had incurred costs related to the following building and renovation projects:

	Construction in Progress	Total Estimated Costs
Student Recreation area	$ 6,845	$ 300,000
Student Services area	29,929	200,000
Summer Classrooms	1,349	125,000
Stonehedge	147,092	200,000
Women's Hockey Locker Room	741,248	750,000
	$ 926,463	$ 1,575,000

All construction projects will be financed through private gifts, grants and unrestricted monies in the plant funds.

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at May 31, 1999 and 1998:

	1999	1998
Land and land improvements	$ 1,459,464	$ 1,459,464
Building	38,228,449	36,114,374
Equipment and furniture	12,257,795	11,580,382
Library books and art work	2,200,939	1,997,219
	54,146,647	51,151,439
Less: Accumulated depreciation	(20,047,480)	(18,386,565)
	$ 34,099,167	$ 32,764,874

NOTE 9 - CONTRACT FOR DEED PAYABLE

The University was indebted to the Christian Brothers on a contract for deed with an outstanding balance at May 31, 1999 and 1998 of $180,000 and $210,000, respectively. The contract for deed is noninterest-bearing and requires semiannual payments of $15,000 through February 1, 2005. The contract for deed is secured by the St. Yon's Hall student dormitory.

SAINT MARY'S UNIVERSITY OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS
May 31, 1999 and 1998

NOTE 10 - LOAN PAYABLE TO U.S. DEPARTMENT OF EDUCATION

The University was indebted to the U.S. Department of Education for an energy loan, with an outstanding balance of $403,404 and $415,084 at May 31, 1999 and 1998, respectively. The loan is payable in semiannual installments of $12,023 including interest at 3.0% to 2020. The note is secured by Heffron Hall student dormitory.

NOTE 11 - BONDS PAYABLE TO MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

At May 31, 1999 and 1998, the University was indebted to the Minnesota Higher Education Facilities Authority (the Authority) on Mortgage Revenue Bonds, Series Three-Q in the amount of $11,595,000 and $11,800,000, respectively. The Series Three-Q bonds were issued during 1993 to finance construction of the Recreation and Fitness Center and to advance refund various other bonds issued by the Authority. The bonds have interest rates varying from 5.00% to 6.15% and mature annually on October 1, 1999 through October 1, 2009 in amounts from $215,000 to $375,000. In addition, a payment of $3,345,000 is due on October 1, 2016 with a final payment of $5,115,000 due on October 1, 2023. The term bonds maturing in the years 2016 and 2023 are subject to annual sinking fund payments on October 1 in the years 2010 through 2023 in amounts varying from $395,000 to $870,000. The bonds are secured by a pledge of the loan repayments and a mortgage on and security interest in the Theater/Recital Hall, Adducci Science Center, the Toner Center, the Ice Arena and the Recreation and Fitness Center.

The principal balance outstanding on the refunded bonds, which is not included in the University's statement of financial position, amounted to $2,580,000 at May 31, 1999.

Annual maturities of all debt for each of the five years subsequent to May 31, 1999 are $257,000, $267,400, $282,800, $293,200 and $308,600, respectively. Total interest expense for the years ended May 31, 1999 and 1998 was $714,261 and $748,312, respectively.

NOTE 12 - INTERFUND BORROWINGS

The investment in plant fund was indebted to the endowment funds in the amount of $1,173,030 and $1,200,000 at May 31, 1999 and 1998, respectively. The balance relates to the renovation of St. Joe's hall. Semiannual payments of $60,000, including interest at 8% per annum, are payable through February 1, 2018. Annual maturities for each of the five years subsequent to May 31, 1999 are $29,200, $31,500, $34,100, $36,900 and $39,900, respectively. All interfund borrowings and the related payments have been eliminated in the financial statements.

NOTE 13 - EMPLOYEE BENEFIT PLANS

Saint Mary's University of Minnesota is a participant in the Christian Brothers Employee Retirement Plan. The plan is a multi-employer defined contribution plan covering all full-time lay faculty and personnel which is financed by contributions made by the University. Annual contributions made by the University were $794,672 and $755,282 in 1999 and 1998, respectively. The University also provides a benefit plan which is available to all employees of the University for certain medical and other expenses. The total expense for this plan was $751,984 and $743,505 in 1999 and 1998, respectively.

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash, short-term investments, marketable securities and other investments, and accounts receivable and notes. The University places substantially all of its cash and liquid investments with high-quality financial institutions and limits the amount of credit exposure to any one financial institution; however, cash balances periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments are generally placed in a managed fund administered by an investment manager. Student receivables and other receivables are due from a variety of sources concentrated primarily in the midwestern United States. As of May 31, 1999, management considers the University to have no significant concentration of credit risk.